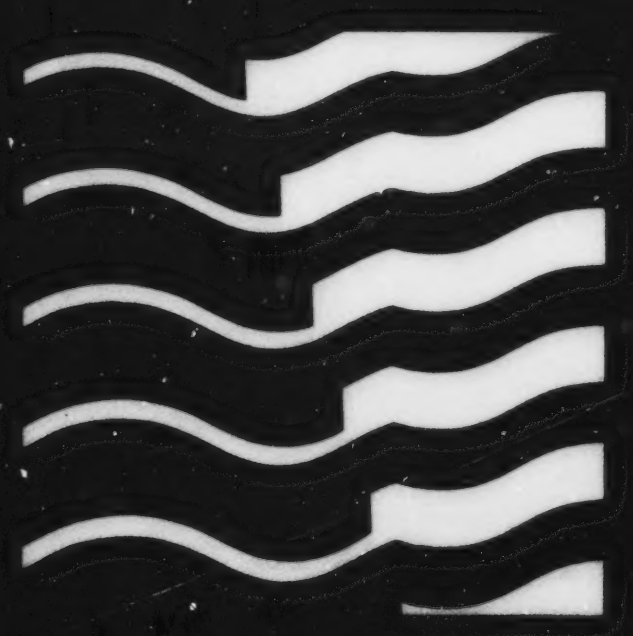
Shipping Conferences
Survey of Users' Views

E. M. Ludwick
and Associates Inc.



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SHIPPING CONFERENCES: SURVEY OF USERS' VIEWS

E.M. Ludwick and Associates Inc.

Research Branch
Bureau of Competition Policy
Consumer and Corporate Affairs Canada

The analysis and conclusions
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Most importantly, we express our appreciation to over three hundred shippers, consignees and freight forwarders across Canada who took the time to go over the questionnaire with an interviewer or to complete and mail in their responses on their own. Truly the views expressed in this report are those of the survey respondents alone. Finally, we express our gratitude to our staff and associates (especially T. Ludwick and W. Klassen) for a job well done.

FOREWORD

The Shipping Conferences Exemption Act provides member lines in ocean shipping conferences with near-complete insulation from the Combines Investigation Act. Changes in this legislation are of direct interest to the Director of Investigation and Research because they affect the scope and administration of competition law in Canada.

Because the Shipping Conferences Exemption Act contains a sunset clause under which it is scheduled to expire in March 1984, an interdepartmental committee was struck to review and make recommendations concerning retention, revision or repeal of existing legislation. As a contribution to this legislative review, Consumer and Corporate Affairs Canada undertook to sample opinions of a reasonably representative cross section of regular users of ocean shipping services. An important feature of this survey is that opinions have been collected at the grassroots level -- from shippers on the firing line of decisions affecting operating arrangements for the movement of ocean cargo.

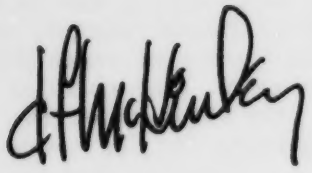
The study was initiated and steered through various stages by S.D. Khosla of the Bureau of Competition Policy. E.M. Ludwick & Associates Inc. were engaged to identify representative shippers and consignees, prepare questionaires, conduct interviews and prepare a written report on the results.

Preparation of questions in the survey benefitted from the review and comment of both private organizations with a particular interest in shipping and federal officials on the interdepartmental committee to review SCEA. These same two groups contributed further to identification of a representative cross section of questionnaire recipients. The clear presentation of questions in the survey reflects assistance from Statistics Canada survey specialists. Finally, this survey could not have been brought to successful completion without the active and thoughtful participation of more than three hundred shippers, consignees and freight forwarders.

The end result is a basic contribution to a thin but growing body of literature in an area of transportation critical to Canada's competitiveness in world markets. The clear message from this survey is that, in the minds of those surveyed, there is a need for substantial improvement in the institutional arrangements governing provision of ocean-shipping services to Canadian shippers and consignees.

With the demand for ocean-shipping a derived one, as is the case in the movement of all freight, the up-to-date and unadulterated views of several hundred informed executives making day-in, day-out decisions on ocean freight constitute an appropriate starting point for policy-oriented research in the legislative review process.

Building on the platform provided by this survey, a study on the economic structure, conduct and performance of the liner industry is being prepared in the Bureau's Economic Analysis and Policy Evaluation Branch. This report, expected to be available in 1984, examines issues such as conference rate-making, technological innovation in the liner industry, the significance of transborder diversion of container traffic and the implications for Canada of various international shipping policy developments.



D. McKinley
Economic Analysis and
Policy Evaluation Branch
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SUMMARY

As part of its contribution to the work of the Interdepartmental Committee on the Shipping Conferences Exemption Act, Consumer and Corporate Affairs Canada commissioned a survey of shippers aimed at learning the views of firms involved in overseas trade on matters pertaining to the exemption of ocean liner conferences from Canada's competition laws.

Over three hundred large and small importers, exporters and freight forwarders across Canada participated in the survey, which made use of both personal interviews (a third of responses) and mail questionnaires. The survey achieved a unusually high response rate of 55%.

Participating firms form a meaningful cross section of the various world trades in which Canada is involved. Shippers' and freight forwarders' reports of their use of North American ports of discharge and loading, the commodities they ship and receive, and the various parts of the world with which they trade cover nearly every conference currently serving Canada.

For the most part, surveyed Canadian firms involved in overseas trade control the arrangements pertaining to the various transportation movements. All types of marine shipping organizations, including conference liners, non-conference liners and freight forwarders, are used by shippers in proportions appropriate to the suitability and availability of the different types of carriers operating in the various trades. Generally speaking, conference carriers are rated highly in terms of service quality characteristics but not in terms of rates, which are more important to shippers.

It is clear that present arrangements exempting liner conferences from the Combines Investigation Act are seen as unsatisfactory to nearly 85% of Canadian exporters, importers and freight forwarders. Shippers generally have not been able to negotiate loyalty (patronage) contracts which they consider to be fair and reasonable, and which require a commitment of less than their total cargo on routes served by a conference.

The practice of imposing surcharges, the unilateral manner in which they are derived, and their levels are considered to be completely arbitrary and generally draw strong criticism from shippers. Shippers view such surcharges simply as means for conference lines to gain additional revenues and thereby escape the rate provisions in the loyalty contracts. The majority view of Canadian shippers and forwarders is that the extra costs of serving St. Lawrence River ports should be translated into higher rates for shippers in Central Canada or lower rates for traffic originating from or destined for points in the Maritime provinces. Only 20% of shippers have specific omplaints about joint conferences; however 60% believe that members of a joint conference not serving Canadian ports should be prohibited from voting on

matters affecting Canadian traffic. Finally, the consultation process between shippers and conferences has given rise to somewhat successful results for a majority of firms which have used it. Unfortunately, most shippers have not bothered to consult (or have ceased to consult) with conferences because they feel such consultations are likely to be futile.

Concerning changes to improve the system, the most common view expressed by over 40% of firms surveyed is that the marketplace is the best regulator of ocean transportation. Such firms favour outright repeal of the Shipping Conferences Exemption Act. Another 40% of survey respondents feel that revisions in the legislation are required to provide effective control of conferences. Half of these firms (20%) believe that a government regulatory agency such as the Canadian Transport Commission would be best able to look after shippers' interests and relations with conferences. Remaining firms (20%) favouring the strengthening of legislation to control the activities of conferences consider the Canadian Shippers' Council to be the most effective vehicle for such regulation. To date, however, it is clear that in the opinion of surveyed shippers, the Shippers' Council has achieved only partial success in making its presence known or its usefulness felt. Finally, 16% of respondents are satisfied with current arrangements.

In conclusion, surveyed shippers are generally dissatisfied with the status quo and have indicated directions in which they feel changes to the Shipping Conferences Exemption Act should be made. While shippers, consignees and freight forwarders are not in full agreement concerning the desired direction of change, their collective views rule out any rubber-stamped renewal of current legislation. Specifically, firms participating in the survey have identified the need to improve the responsiveness and accountability of conferences to the shippers they serve in the matters of general rate increases, loyalty contracts, surcharges and the consultation process. Generally, surveyed firms maintain that any departures from normal business rules and regulations in governing conference operations should be contingent on conferences meeting explicitly stated obligations.

TABLE OF CONTENTS

	Page
Chapter I - THE SURVEY IN PERSPECTIVE	1
Introduction	1
Key Issues Examined	2
About the Respondents	3
Carrier Selection Criteria	6
Performance Ratings of Carrier Types	8
Conclusions	11
Chapter II - SHIPPERS' VIEWS ON THE CONFERENCE SYSTEM	13
Introduction	13
Reactions to Increases in Freight Rates	14
Loyalty Contracts	17
Surcharges	24
Equalization of Rates over Ports	30
Joint Conferences	32
Consultation and Relationships with Conferences	35
Chapter III - FREIGHT FORWARDERS' EXPERIENCES AND CONCERNS	41
The Role of the Freight Forwarder	41
Forwarders' Comments on Conference Practices	43
Increases in freight rates	43
Loyalty contracts	43
Surcharges	43
Equalization of rates over ports	45
Joint conferences	45
Consultation and relationships with conferences	46
Forwarders' Views on Protecting Shippers' Interests and Governing the Behaviour of Conferences	46
Shippers' interests	46
Governing conference activities	47
Chapter IV - SHIPPERS' INTERESTS AND THE REGULATION OF OCEAN CARRIERS	51
Protecting Shippers' Interests	51
The Case for Renewing the Shipping Conferences Exemption Act, or Preserving the Status Quo	55
The Government Regulation Option	57
Perceived Need to Redress Bargaining Imbalances: Strengthening the Canadian Shippers' Council	59
Market Forces: Repealing the Shipping Conferences Exemption Act	64
Other Views	65
Conclusions	66

Page

Appendix A - SURVEY METHODOLOGY..... 69

Appendix B - OVERSEAS TRADE VOLUMES OF CANADIAN SHIPPERS AND FREIGHT FORWARDERS..... 77

Appendix C - TRAFFIC MANAGEMENT PATTERNS AND PRACTICES..... 107

Appendix D - VIEWS AND COMMENTS OF INTERESTED INDUSTRY ORGANIZATIONS AND SHIPPING CONFERENCES..... 129

Appendix E - INTERDEPARTMENTAL COMMITTEE ON THE SHIPPING CONFERENCES EXEMPTION ACT, LINER CONFERENCE USERS' SURVEY, SHIPPERS' MAIL QUESTIONNAIRE..... 151

LIST OF TABLES AND EXHIBITS

Page

Tables

Table 1 - Survey Sample Size and Response..... 4

Table 2 - Number of Responses per Stratum..... 5

Table 3 - Importance Ratings (1 to 5) of Various Factors in the Selection of Carriers..... 7

Table 4 - Ratings of Carriers' Performance in Terms of Various Selection Factors..... 9

Table 5 - Shippers' Reactions to Conference Rate Increases..... 15

Table 6 - Loyalty Contract Signing..... 18

Table 7 - Average Discounts Obtained by Firms Having Signed Loyalty Contracts..... 20

Table 8 - Users' Views on Law Concerning Loyalty Contracts..... 22

Table 9 - Per cent of Traffic Shippers Think Should Be Committed in Loyalty Contracts by Firms Which Believe the per cent Should Be Limited..... 23

Table 10 - Users' Views on Methods of Handling Surcharges..... 27

Table 11 - Users' Views on Equalizing Rates over Ports..... 31

Table 12 - Users' Satisfaction in Dealing with Joint Conferences.... 32

Table 13 - Users' Views on Voting Privileges for Joint Conference Member Carriers Not Serving Canadian Ports..... 34

Table 14 - Users' Experience with Conference Consultations..... 37

Table 15 - Users Rank Organizations Best Able to Look after Their Interests (Average Rankings)..... 53

Table 16 - Percentage Frequencies of Users' Choices of Organizations Best Able to Look after Their Interests..... 54

Table 17 - Preferred Alternatives for Governing Conference Behaviour..... 56

Page

Table 18 - Shipper Awareness of the Mandate of the Canadian Shippers' Council..... 62

Table 19 - Users Rate the Effectiveness of the Canadian Shippers' Council..... 63

Exhibits

Exhibit 1 - Sample Conference Patronage Contract..... 25

Chapter I

THE SURVEY IN PERSPECTIVE

Introduction

For more than a century, marine shipping companies have formed ocean liner conferences in order to lessen the forces of competition on international trade routes.[1] The rationale for such activities is to ensure shippers and consignees stable services and rate levels, and at the same time to provide shipowners with a satisfactory return on investment. At present, 48 liner conferences are active in Canadian trade routes.[2]

Certain practices of the liner conferences are allowed by virtue of the Shipping Conferences Exemption Act, 1979, which was first passed in 1970 following an inquiry by the Restrictive Trade Practices Commission.[3] The current Act came into force April 1, 1979, and expires on March 31, 1984. Unless the Act is renewed, revised or otherwise replaced, conferences will lose their exemption from, and therefore become subject to, the Combines Investigation Act.

In 1981 the Interdepartmental Committee on the Shipping Conferences Exemption Act was formed to review the practices of conferences and the operations and administration of the Act, as well as to consider the views of industry and other parties relative to the possible content of any new legislation or federal government policy concerning liner conferences. This report and a companion research study[4] constitute formal contributions by Consumer and Corporate Affairs Canada to the work of the Committee.

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1. For a description of the shipping industry, see Gunnar K. Sletmo and Ernest W. Williams, Jr., Liner Conferences in the Container Age: U.S. Policy at Sea (New York: Macmillan, 1981).

2. This information was provided by the Marine Transport Committee, Canadian Transport Commission, Ottawa, 1983.

3. Restrictive Trade Practices Commission, Shipping Conferences Arrangements and Practices (Ottawa: Queen's Printer, 1965).

4. Bureau of Competition Policy, Consumer and Corporate Affairs Canada, "Preliminary Analysis of Performance in Ocean Liner Shipping," mimeographed (Ottawa, November 1982).

The purpose of this survey report is to present and summarize the opinions of Canadian users of liner shipping. The questions posed were designed to elicit shippers' views on: (a) the nature of the problems they face, (b) the extent to which such problems relate to the behaviour of liner conferences, and (c) the contribution, if any, of existing legislation to the existence or resolution of these problems. In addition, the survey presents proposals from shippers to deal with those difficulties they have identified. A unique and important aspect of the survey is that it solicits "grass roots" views directly from individual shippers.

Key Issues Examined

Owing to the large number of issues and the wide scope of opinion, it was determined that meaningful information from the users of conference services would best be obtained through the use of a formal, structured questionnaire. For the purpose of refining the topics to be addressed in the questionnaire, consultations were held with selected interested shippers, shippers' associations, freight forwarders and members of the Interdepartmental Committee on the Shipping Conferences Exemption Act. Research work relating to the 1979 review of the Act and more current publications were also reviewed.

The above-mentioned consultation process importantly shaped the substance of the questionnaire and assisted in the identification of the following issues:

1. the control exercised by shippers and consignees of international shipments in routings and transportation arrangements;

2. the amount of overseas freight assigned by Canadian traffic managers to conference and other carriers, and the extent to which firms have no choice but to use the services of conference carriers;

3. the factors that are most important to traffic managers in selecting the type of carrier used for particular overseas traffic movements and how well the various types of marine shipping organizations perform in meeting traffic managers' requirements;

4. the ability of firms to take defensive action in the face of rate increases by liner conferences;

5. the ability of shippers and consignees to negotiate fair and reasonable patronage (loyalty) contracts requiring a commitment of less than their total cargo on certain trade routes, as well as the incidence of such contracts and firms' perceptions of the benefits accruing to them for having signed;

6. an appropriate treatment for dealing with conference practices relating to bunker, currency, congestion and other surcharges (or adjustment factors);

7. the conference practice of equalizing freight rates over Maritime and St. Lawrence River ports;

8. the extent to which shippers and consignees have made use of shippers' groups, particularly the Canadian Shippers' Council, to reconcile or advocate their interests vis-à-vis conferences, and the need for or desirability of increasing the bargaining strength of the Canadian Shippers' Council;

9. the ability of firms to hold satisfactory consultations and/or negotiations with conferences, including dealings with joint conferences; and

10. the general state of satisfaction with the status quo in liner shipping services.

About the Respondents

Questionnaires were mailed to 500 shippers and consignees and 25 freight forwarders located throughout Canada. In addition, 100 shippers and consignees and 10 freight forwarders were interviewed in person. The total number of firms selected and the number of complete responses received are shown in Table 1.

Specific individuals interviewed or invited to complete a mail questionnaire were those persons "responsible for handling ocean freight matters" in each firm. Such individuals most often ranged from "traffic manager" to "Vice-President -- Physical Distribution Services" in larger firms and tended to be "Presidents" in the case of smaller firms. In the personal interviews, usually a single individual was able to answer most of the questions. Where firms were involved in both importing and exporting, however, the general rule was that the questionnaire would be completed by the two persons in charge of those respective functions. Overall, the survey achieved an effective response rate of approximately 55%, a high response rate for this type of survey.

In order to add the dimensions of magnitude and orientation of overseas trade activity to the analysis, surveyed firms were categorized as being either large or small shippers, and as exporters or importers. For the purposes of this analysis, a large shipper is defined as one that imports or exports over 10 000 tonnes per year. Remaining shippers are defined as small. It should be noted that small shippers may in fact be very large companies with only relatively small overseas traffic. Conversely, firms normally considered as small or medium-sized may be considered here as large due to the highly international orientation of their activities. As well, some firms which would be considered

Table 1

Survey Sample Size and Response

Strata	Number of firms selected			Number of responses
	In-person	Mail	Total	
All firms	110	525	635	303
Freight forwarders	10	25	35	21
All firms excluding freight forwarders	100	500	600	282
By geographical distribution:				
Maritimes	12	20	32	24
Quebec	22	175	197	80
Ontario	34	285	319	137
Prairies	12	8	20	13
West Coast	20	12	32	28

small by individual conferences may be considered large where high tonnages reflect involvements in numerous trade routes, with many conferences. Finally, for simplicity, a firm is considered herein to be an exporter if its exports are greater than or equal to its imports; conversely an importer is defined as a firm which imports more than it exports.

Of the 303 survey forms (in-person and mail) returned, 293 arrived in time to be incorporated into the computerized analysis. Throughout the report, survey results are presented to reflect the different views of respondents with respect to their location, as well as the magnitude and orientation of their overseas trade activity. The number of responses included in each of these strata is shown in Table 2.[5]

5. Additional details on the methods used to select survey participants and on the execution of the survey are provided in Appendix A.

Table 2

Number of Responses per Stratum

Stratum name	Number of responses included in analysis
All firms	293
Freight forwarders	21
All firms (except frt. fwdrs.)	272
By orientation of trade:	
Exporters (shippers)	159
Importers (consignees)	113
By volume of trade:	
Large	96
Small	176
By geographical distribution:	
Maritimes	24
Quebec	77
Ontario	130
Prairies	13
West Coast	28

In order to allow for the qualification and classification of their responses, survey participants were asked to provide an estimate of their annual volumes of exports and imports. Further, respondents were asked to provide a breakdown of the amount of traffic they assign to conference and non-conference liners, and to other carriers.

The shippers, consignees and freight forwarders that responded to the survey are estimated as shipping or receiving over 7 million tonnes, of which at least 5.5 million are assigned to conference and non-confer-

ence liners.[6] Based on data available from Statistics Canada, it is estimated that this volume (in weight) amounts to approximately 40% of the total Canadian inbound and outbound liner trade.[7]

Carrier Selection Criteria

A fuller appreciation of survey respondents' views and suggestions in the areas of conference practices and alternative approaches to governing the behaviour of conferences may be achieved through an understanding of the factors most important to users in selecting alternative carrier types. In particular, users' ratings of carriers' performance in terms of carrier selection factors add an important dimension to the evaluation of current legislation and arrangements with respect to ocean transportation services.

Shippers, consignees and freight forwarders were asked to state the degree of importance that they place on a number of preset transportation arrangement selection factors and to rate the different marine shipping organizations in terms of how well they meet users' needs in those areas. This was done for the firms interviewed in person. Because carrier selection factors may be of varying importance in the different trades a shipper may be involved in, respondents were asked to answer these questions taking all trades into consideration on the average.

Table 3 shows the importance ratings given to the various transportation arrangement selection factors. The salient observation to be drawn from this table is that for every category of firm (although not necessarily for each individual firm) the availability of reasonable freight rates is of prime importance.

The next most important factors which shippers consider in making their choice of carrier are stability of freight rates; regular, reliable schedule; availability of space on demand; and availability of

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6. Information provided by the Water Transport Committee, Canadian Transport Commission, indicates that conference and non-conference liner trades account for approximately 6% of the traffic volume (weight) moved in and out of Canada compared to approximately 35% of the value of goods imported and exported. While this survey does not address the question of value of traffic, there is no reason to believe that the goods reported are anything other than a meaningful cross section of all goods of varying values.

7. Further detail on volumes and commodities imported and exported, ports used and countries with which survey respondents trade is provided in Appendix B. Additional information on the assignment of and captivity to different types of marine shipping organizations and the degree of control exercised over routings is given in Appendix C.

Table 3

Importance Ratings (1 to 5) of Various Factors in the Selection of Carriers[a]

	Reasonable freight rates	Stability of freight rates	Regular, reliable schedule	Availability of space on demand	Availability of suitable containers	Fast service	Low instances of claims	Customer service feedback	Ability to conduct meaningful consultation	Flag of carrier
All firms	4.3	4.0	3.8	3.7	3.7	3.5	3.4	3.4	3.3	1.7
Freight forwarders	4.2	3.8	4.0	3.7	3.7	3.6	3.3	3.7	3.6	2.2
All firms (except frt. fwdrs.)	4.3	4.0	3.8	3.7	3.7	3.5	3.4	3.4	3.3	1.7
By orientation of trade:										
Exporters (shippers)	4.4	4.1	3.8	3.8	3.8	3.5	3.4	3.5	3.4	1.7
Importers (consignees)	4.3	3.9	3.7	3.5	3.5	3.6	3.4	3.1	3.1	1.6
By volume of trade:										
Large	4.4	4.1	4.0	4.0	3.8	3.5	3.4	3.3	3.3	1.8
Small	4.3	3.9	3.6	3.6	3.6	3.5	3.5	3.4	3.3	1.5
By geographical distribution:										
Maritimes	4.5	4.1	4.2	4.2	4.0	3.9	3.4	3.5	3.6	1.6
Quebec	4.4	4.3	4.0	3.8	3.9	3.7	3.1	3.7	3.5	1.7
Ontario	4.3	3.9	3.5	3.5	3.4	3.2	3.5	3.3	3.1	1.6
Prairies	4.3	4.2	3.3	3.5	3.8	3.6	3.4	3.2	3.1	1.7
West Coast	4.4	3.6	4.0	3.9	3.7	3.5	3.8	3.1	3.2	1.6

[a]A higher number means a higher (or preferred) rating. That is, 1 is very poor and 5 is very good.

suitable containers. Other factors, notably fast service, are of negligible importance. For all survey participants, except freight forwarders who are involved in every conceivable trade, flag of carrier is considered to be irrelevant, a view that is likely to reflect the fact that Canada has no national flag deepsea merchant marine.

The transportation arrangement selection factor ratings shown in Table 3 indicate that the factor for which independent carriers are noted, reasonable freight rates, is rated by shippers as being most important, while the factors claimed as selling features by the conferences are considered to be of secondary importance. All firms agree that the carrier selection factor of greatest importance is the level of rates. Freight forwarders and other firms alternate their choices of second and third most important factors between regular reliable schedule and stability of freight rates. After that, freight forwarders tend to consider most factors to be of similar importance.

> All transportation arrangement selection factors are very important for some percent of the traffic. It often depends on the product. In some cases, depending on the countries involved, flag of carrier is of critical importance -- especially where certain Latin American countries insist that only their flag carriers may be used. Furthermore, the importance of different factors and how well the different carriers perform in terms of them changes every year depending on who the carriers in the conferences are and who the outsiders are. At the moment there are some very good outsiders in Canada. At this point in time the outsiders are better than or equal to the rather financially depressed conference carriers.[8]

Some forwarders feel, however, that shippers' needs are undergoing a change.

> The important issue in shipping in the 1970s was speed. In the 1980s shippers want regular, reliable service with a low freight rate.

Performance Ratings of Carrier Types

To determine users' perceptions of how well the different marine shipping organizations perform in terms of meeting their requirements, firms interviewed in person were asked to rate the performance of the different types of carriers on a one to five basis, with one meaning very poor and five meaning very good. The factor/carrier ratings pro-

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8. In order to preserve the confidentiality of individual respondents, persons quoted are not identified by name.

vided in Table 4 are based on the averages of the ratings provided by firms which rated particular marine shipping organizations. For example, the rating given to conference carriers is the average of only those firms which rated them.

Table 4

Ratings of Carriers' Performance in Terms of Various Selection Factors
(all interviewed firms)

	Freight forwarders	Conference carriers	Independent liners (outsiders)	Others (charters, tramp, own fleet, etc.)
1. Reasonable freight rates	4.1	2.8	4.1	4.3
2. Stability of freight rates	3.9	3.5	3.6	3.4
3. Regular reliable schedule	4.1	4.1	3.2	3.1
4. Availability of space on demand	4.0	4.1	3.8	3.9
5. Availability of suitable containers	3.8	4.1	3.6	3.7
6. Fast service	4.2	4.1	3.4	3.4
7. Low instances of claims	4.3	4.0	3.7	3.6
8. Customer service	4.4	3.9	3.6	3.5
9. Ability to conduct meaningful consultations	4.2	3.5	3.8	4.3

Caution should be exercised in drawing conclusions concerning the size of gaps between scores shown in Table 4. In community rankings such as this, however, it is reasonable to speak in terms of one carrier type being preferred to another. Several important observations can be drawn.

1. Freight forwarders receive the highest ratings in five of nine transportation arrangement selection factors, including stability of freight rates, fast service and customer service.

2. Conference carriers receive the highest ratings in three of the nine selection factors, including regular, reliable schedule; availability of space on demand; and availability of suitable containers. They receive the lowest rating in terms of reasonable freight rates, the factor shippers consider to be most important (see Table 3).

3. Independent liners receive relatively low ratings in terms of service quality factors. However, they receive a substantially higher rating than conference carriers in terms of reasonable freight rates.

Survey respondents make numerous comments in support of or in opposition to the various marine shipping organizations and their services. Typical commentary in favour of the conference carriers includes the following statements made by two small Ontario firms -- one a shipper, the other a consignee:

> We like the services of the conference liners and their reliable patterns. Over the years we have generally been able to get the conferences to lower rates when we have requested it. Our attitude towards conferences is that we are willing to trade off a bit of price competitiveness (due to conferences' monopolistic power) for rate and service stability.

> We do not like using outsiders because of the good, long-standing business relationships the firm and its parent company have had with the conferences over the years. This relationship has resulted in excellent rates with the conferences.

However, there are firms who do not rate conference carriers so highly.

> We find that the conferences really do not try to meet the needs of the individual shippers. They seem to be of the opinion that regardless of their rates, the shippers are in a position where they must use them.

Rather, such firms tend to prefer the services of independent liners. A large Prairie shipper and a small Ontario shipper express the following views:

> We wouldn't use independent carriers if they were no good. You can only trade off so much bad service to save on a rate.

> We are pleased that within the last year non-conference services have been instituted from both Eastern and Western Canadian ports to Australia and New Zealand. These new services have helped our firm immeasurably in increasing our exports to those countries. We have experience and therefore proof that the lower transportation costs offered by the non-conference carriers have given us increased market penetration. We are therefore in favour of any action which promotes competition and the further development of non-conference services.

Freight forwarders give conference liners higher ratings than they do the independents in terms of seven service quality criteria. Non-conference liners and non-liners are rated highest on freight rate levels, and independent liners are rated as being most amenable to participating in meaningful consultations.

The relatively high ratings given to independent lines by freight forwarders are perhaps a sign that times are changing.

> Years ago outsiders were companies with old ships, out-of-date equipment, poor service, etc. This has changed whereby today's outsiders compete on an equal footing with the conference carriers. Even the services of empty returning bulk carriers operating as outsiders have been good, even though these services are not scheduled. As a result of rate wars, in several instances former conference liners have become outsiders providing excellent scheduled services. The old regime where the outsider was a "dog" is gone. It seems now that there are more vessels sailing independently than under the conference regime.

Conclusions

The information provided in Chapter I puts in perspective views on the practices and regulation of conferences. Statistical data (particularly in Appendix B) show surveyed firms to have substantive involvements in international trade, as is reflected by the extent of their importing and exporting activities. Survey participants are involved in shipping and receiving a broad cross section of commodities through all Canadian and several American ports to and from all parts of the globe. The trade involvements reported, coupled with positions held by individual respondents, show surveyed users to be well positioned to comment on various aspects of virtually all trades. It may also be noted that the traffic assignment split between conference and independent liners is consistent with the carrier preference ratings reported by surveyed shippers.

Several conclusions concerning the transportation and distribution management practices and preferences of Canadian traffic executives emerge from the survey.

1. Surveyed firms control the transportation arrangements and routings for the great majority of goods they ship and receive, and use a mix of different types of marine shipping organizations in accordance with their availability and suitability.

2. Shippers rate the services of freight forwarders acting as carriers highly.

3. Shippers rate conference carriers lowest in terms of the variable they consider most important, reasonable freight rates. However, they rate conference carriers highly in terms of service quality variables.

4. Independent liners rate highly in terms of reasonable freight rates, but rate lower than conference carriers in terms of service quality variables.

Chapter II

SHIPPERS' VIEWS ON THE CONFERENCE SYSTEM

Introduction

The questionnaire reflects both recent concerns expressed by shippers' groups and individuals, and items outstanding from the 1979 review of the Shipping Conferences Exemption Act. Specifically, shippers, consignees and freight forwarders (on their own and on their clients' behalf) were asked to express their views on the following areas of interest:

1. the ability of shippers (or consignees) to take defensive action when the price of liner conference service increases;

2. the ability of shippers to negotiate fair and reasonable patronage (loyalty) contracts requiring a commitment of less than their total cargo over trade routes served by a conference;

3. preferred alternatives for the fair and reasonable treatment of bunker, currency, congestion and other surcharges;

4. the question of equalizing rates over ports versus the differentiation of rates between ports, with special reference to ports in Atlantic and Central Canada;

5. the degree to which shippers' dealings with joint conferences (those serving both the United States and Canada) have been satisfactory to their needs and the requirement for special additional regulations concerning the practices of joint conferences;

6. the extent to which shippers' dealings with liner conferences have improved since the 1979 amendments to the Exemption Act and the degree to which shippers have been able to hold satisfactory consultations with conferences.

The above issues are not intended to be exhaustive. In fact, a number of comments pertaining to some very specific aspects of the conference system which were not covered by the questionnaire were raised by those respondents interviewed in person.

Two topics in particular which elicited unsolicited comment were the availability of non-conference ocean shipping services, and the extent to which conference carriers abide by conference rules.

Concerning the availability of alternate means of shipping, a small Ontario consignee and a small Prairie shipper, respectively, offer the following comments:

> Any time a group of individuals combine together to form such a cartel it is primarily for their own interest rather than the interests of the people they serve. Now that we have quit using conferences, we are paying half of what we did 5 years ago. We make use especially of those good carriers who have dropped out of conferences.
>
> The problem with conferences often is that if you don't like the rate that they have to offer, you don't get to ship. Conferences have the power to make things very tough on shippers and can actually act to keep Canadian shippers out of foreign markets. There is therefore a trade-off; for a higher price and loyalty contracts with conferences you can ship anywhere in the world; and, for a lower price you can ship to the selected points that the outsiders call at.

Further, an unidentified shipper adds:

> We have found that there is an excellent availability of outsider services but it is often necessary to use the Port of New York.

Finally, one large Quebec shipper says this about conferences' adherence to their own rules:

> One very large well-known conference carrier recently approached us to solicit our freight, wondering why we had not shipped with them for some time. This firm, as do others in many conferences, has the practice of charging a special kind of surcharge because they use slightly different origins or destinations than the other members of the conference. So we find that even within the conference, when they agree to set prices the members do not really adhere to the rates thay they set -- especially in lean times.

Reactions to Increases in Freight Rates

Table 5 presents a percentage breakdown of the different actions shippers have taken in response to increases in rates charged by liner conferences.

The most frequent course of action is to attempt to negotiate a reduction in the rate increase. The next most common course of action is to switch to other marine shipping organizations (outsiders, freight forwarders/consolidators, tramp, charter, etc.). Failing these possibilities, firms turn to reductions in the prices of their export goods in accordance with the cost of freight and the delivered price expected by the overseas consignee.

Table 5

Shippers' Reactions to Conference Rate Increases

	Percentage frequency response					
	Attempt to negotiate reduction	Switch shipping organizations	Adjust price of exports	No special action	Switch source of imports	Other
All firms	35.0	25.0	18.3	8.3	6.7	6.7
Freight forwarders	32.7	30.9	20.0	—	12.7	3.7
All firms (except frt. fwdrs.)	35.3	24.3	18.1	9.3	6.0	7.0
By orientation of trade:						
Exporters (shippers)	37.2	24.2	23.5	5.6	3.9	5.6
Importers (consignees)	32.1	24.4	8.9	15.5	9.5	9.6
By volume of trade:						
Large	38.1	27.6	17.7	4.4	5.0	7.2
Small	33.5	22.1	18.4	12.5	6.0	7.5
By geographical distribution:						
Maritimes	42.5	25.0	22.5	2.5	—	7.5
Quebec	38.3	26.2	17.0	6.4	6.4	5.7
Ontario	34.7	23.6	17.1	12.6	6.5	5.5
Prairies	21.1	21.1	31.6	15.8	—	10.4
West Coast	29.6	22.2	16.7	7.4	9.3	14.8

Few large firms and exporters and very few Maritime firms take no action in response to a rate increase by a liner conference. However, Prairie users, importers, Ontario users and small firms are most likely to let a rate increase go by without taking any particular action. Only a small group of firms (mainly those primarily involved in importing) switch to new sources for imported goods. Finally, a number of firms take a host of diverse actions, most frequently reported of which is to pass cost increases on to their customers; in particular, this is a strategy of Western Canadian exporters and importers. Other actions taken include foregoing sales (losing markets), resigning from loyalty contracts, changing routings, complaining to government officials or shippers' groups, etc.

Freight forwarders report that none of their clients take no action in response to a conference rate increase. Presumably, this is because freight forwarders provide their clients with alternatives. Small users are as likely to try any course of action to combat a rate increase as are firms in other categories. Some firms, especially those with large volumes of traffic to offer, find conferences to be amenable to their presentations regarding reductions in proposed rate increases. A large Maritime shipper comments:

> We have had excellent response from the conference carriers when we have asked for rate revisions. As a case in point, when faced with a proposed increase, we asked the conference to leave the rates as they were and they accepted our arguments almost to the letter. We have been fortunate that the individual lines in the conferences have backed us up.

Small shippers and consignees, however, have less luck as demonstrated by two western firms:

> Our firm is really too small to negotiate rates. One factor which makes it difficult for us to negotiate is that we often only ship one container per week to many of our customers.

> As a small consignee, whenever liner conference prices go up, our firm is capable of doing nothing but paying the increased rates.

Finally, regardless of what defensive tactics they use in the face of an increase, many firms are disenchanted with the rate-making and rate negotiation process. Two large shippers, one from the Prairies and the other from Ontario, explain:

> Conferences have the erroneous opinion that you can afford to pay a higher freight rate because your product is so valuable. Prices for our products fluctuate greatly in accordance with international markets. At this time the

> market [for our goods] is now very low, with prices being at a level lower than production costs. Meanwhile, the Pacific Westbound Conference considers this to be a good time to raise our rate by over 40%. We now also have the situation where the non-conference carriers are colluding on prices with the conferences.
>
> We must know at all times that we are getting equal treatment, that is, the same rates as our competition. In every trade where there is competition we find that conferences are much more receptive to providing better rates.

Loyalty Contracts

Table 6 shows the percentage of shippers that have signed loyalty contracts, and of those shippers, the percentage which consider contracts to be fair and reasonable, and which have been able to negotiate commitments of less than their total cargo on trade routes served by conferences.

Approximately half of the firms surveyed have signed loyalty contracts. Forwarders' clients are most likely to have signed (68%). This may be due to forwarders advising clients to sign in order to be eligible for the conference contract rates. West Coast firms are least likely to have signed loyalty contracts (26%). Large users (61%) and exporters (56%) are more likely to have signed loyalty contracts than importers (37%) and small users (42%). (Although some importers may not have signed loyalty contracts, contract rates are available to them because the exporting firms from which the goods are purchased may be signatories.) Two large Quebec shippers which have not signed loyalty contracts offer these comments:

> Firms in this industry do not sign loyalty contracts with conferences. Rather, over-the-desk agreements with guaranteed volumes and rates have been worked out between conferences and the industry for many years.
>
> As of today, 80% of our imports are by conference carriers. We use non-conference carriers occasionally, just to keep the conference honest. We still have not signed a loyalty contrct and have no intention of ever signing.

A number of firms have discovered that they are able to obtain the same benefits not having signed loyalty contracts as are firms which have signed. Two large shippers, one from the Prairies and one from Quebec, and a small Maritime shipper explain:

Table 6

Loyalty Contract Signing[a]

		Of firms which signed loyalty contracts:	
	Percentage of firms which have signed loyalty contracts	Percentage of firms which feel contracts are fair and reasonable	Percentage of firms able to negotiate less than 100% commitment
All firms	49.8	52.1	30.1
Freight forwarders	68.2	60.0	13.3
All firms (except frt. fwdrs.)	48.3	51.1	32.1
By orientation of trade:			
Exporters (shippers)	56.3	48.3	30.3
Importers (consignees)	37.2	57.1	35.7
By volume of trade:			
Large	61.1	53.4	29.3
Small	41.5	49.3	34.2
By geographical distribution:			
Maritimes	58.3	42.9	50.0
Quebec	42.9	60.6	33.3
Ontario	53.8	47.1	30.0
Prairies	53.8	71.4	28.6
West Coast	25.9	42.9	14.3

[a]Example: 49.8% of firms participating in the survey have signed loyalty contracts. Of that 49.8%, 52.1% feel that the loyalty contracts are fair and reasonable. Again of the 49.8%, only 30.1% have been able to negotiate commitments of less than 100% of their traffic.

> We have in some cases obtained the benefits of lower conference rates without signing a contract or negotiating with the conferences. Therefore, loyalty contracts must not really be necessary.
>
> We have had some loyalty contracts where the effective penalty was only 5% or, where we have not signed, we would get conference services for only 5% more than if we would have signed.
>
> The conference carriers are so excited to get business that they have not insisted on loyalty contracts lately. The insidious thing about loyalty contracts is that the signer who commits himself and the non-signer who can shop around both end up paying the same rates.

Yet another group of users (as exemplified by two western shippers) have signed loyalty contracts but are not terribly concerned with complying with their terms:

> We have signed loyalty contracts but we do not feel bound to them. We use whoever is the cheapest. We basically sign loyalty contracts to get the agents or solicitors out of our hair.
>
> If a conference wants to penalize us for using an outsider, we tell them to forget about hauling our goods. We have never heard of anybody who pays penalties.

The Shipping Conferences Exemption Act provides that loyalty (patronage) agreements between a shipper and a conference may provide "for the application to goods shipped by the shipper of tariffs that incorporate a dual rate system in which no contract rate for any goods is less than the non-contract rate for those goods by more than fifteen per cent of the contract rate."[1] Table 7 shows that, among shippers who have signed loyalty contracts, nearly 60% receive contract rate discounts of between 1% and 15%. About 7% of shippers receive discounts of over 15%. The remaining third of shippers with loyalty contracts do not indicate that any discount is being given to them. Firms in this group feel that their reward for signing a loyalty contract is regular, reliable service, or are simply unaware that they are entitled to a discount.

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1. Shipping Conferences Exemption Act, 1979, c. 15, s. 5(1)(b)(ii).

Table 7

Average Discounts Obtained by Firms Having Signed[a] Loyalty Contracts

	Percentage of firms reporting average discounts of:				
	No discount indicated[b]	1%-5%	6%-10%	11%-15%	16%+
All firms	35.6	5.5	17.8	34.2	6.9
Freight forwarders	6.7	6.7	13.3	66.7	6.6
All firms (except frt. fwdrs.)	38.9	5.3	18.3	30.5	7.0
By orientation of trade:					
Exporters (shippers)	33.7	5.6	22.5	30.3	7.9
Importers (consignees)	50.0	4.8	9.5	31.0	4.7
By volume of trade:					
Large	34.5	6.9	17.2	36.2	5.2
Small	42.5	4.1	19.2	26.0	8.2
By geographical distribution:					
Maritimes	35.7	--	35.7	14.3	14.3
Quebec	36.4	3.0	24.2	30.3	6.1
Ontario	37.1	7.1	15.7	32.9	7.2
Prairies	71.4	--	--	28.6	--
West Coast	42.9	14.3	--	42.9	--

[a]Firms signing loyalty contracts are as in Table 6. Example: Of the 49.8% of firms signing loyalty contracts, 35.6% indicated no discount, 5.5% indicated discounts between 1% and 5%, and so on.

[b]No discount indicated means that firms reported receiving discounts of 0% or that the firms were aware of no discount being provided.

With respect to the amount of traffic that users must promise to the conferences in order to receive the contract rate, section 2 of the Shipping Conferences Exemption Act states that "in return for certain advantages the shipper agrees to offer to members of the conference for transportation by them all goods, all goods of certain classes or a fixed proportion of all goods or of all goods of certain classes shipped by water by that shipper to places served by members of that conference." However, one larger Quebec shipper notes that

> even though the legislation states that loyalty contracts are supposed to be negotiable, according to the loyalty contract itself, the amount is not negotiable.

This is evident from the following sample clauses taken from the standard loyalty contracts of two conferences -- one, a joint conference serving the West Coast, and the other, a major North Atlantic conference:

> The merchant undertakes to ship or cause to be shipped all of its ocean shipments for which contract and non-contract rates are offered moving in the trade on vessels of the Carriers unless otherwise provided in this Agreement.
>
> In consideration of the conditions stated herein and in the Conference Tariff, the Merchant (Shipper or Consignee responsible for the payment of freight) agrees to offer or cause to be offered to the Carriers for transportation by water to or through North European ports in the Bordeaux/Hamburg range (both included), all shipments of all commodities.

Most users are not pleased with the conferences' requirement of a 100% traffic commitment. Two large shippers from Ontario and the Maritimes comment as follows:

> Shippers should not be subject to penalties if they ship less than 100% of their cargo with conference carriers. Because they are protected by the Shipping Conferences Exemption Act and loyalty contracts, conferences at most times seem less than willing or at least slow to respond to changes in the marketplace.
>
> This firm is against loyalty contracts, especially the idea of signing then having to ship 100% or be penalized. We want the freedom of choice without being penalized. We also want a single rate (that is, no conference versus non-conference rates) and it should be reasonable.

Survey participants' views on how loyalty contracts should be handled in any new legislation are shown in Table 8.

Table 8

Users' Views on Law Concerning Loyalty Contracts

	Percentage of firms which believe loyalty contracts should be:			
	Kept negotiable[a]	Prohibited completely	Limited to a certain per cent	Set at 100% of traffic
All firms	47.9	30.4	20.5	1.1
Freight forwarders	27.3	27.3	40.9	4.5
All firms (except frt. fwdrs.)	49.8	30.7	18.7	0.8
By orientation of trade:				
Exporters (shippers)	48.6	29.2	22.2	—
Importers (consignees)	51.5	33.0	13.4	2.1
By volume of trade:				
Large	48.3	30.3	20.2	1.1
Small	50.7	30.9	17.8	0.7
By geographical distribution:				
Maritimes	45.0	25.0	30.0	—
Quebec	47.9	40.8	9.9	1.4
Ontario	50.9	25.9	23.3	—
Prairies	50.0	33.3	16.7	—
West Coast	54.5	27.3	13.6	4.5

[a]Section 2 of the Shipping Conferences Exemption Act currently provides that "all goods...or a fixed proportion of all goods" should be offered to carriers by shippers in return for certain services. The percentage of freight promised in loyalty contracts may therefore be considered as a negotiable item.

Despite the fact that shippers may not be satisfied with the strength of the Shipping Conferences Exemption Act's intent to make traffic commitments in loyalty contracts negotiable, about half of the firms surveyed feel that the amount of cargo covered in a loyalty contract should be open to negotiation. Only a quarter of freight forwarders surveyed hold similar views. On the average, 30% of firms surveyed feel that loyalty contracts should be completely prohibited. This view is most strongly held by Quebec firms.

Table 9

Per cent of Traffic Shippers Think Should Be Committed in Loyalty Contracts by Firms Which Believe the per cent Should Be Limited[a]

	Percentage of firms suggesting the following per cent limitation of freight promised in loyalty contracts:			
	1%-25%	26%-50%	51%-75%	76%-99%
All firms	18.5	27.8	38.9	14.8
Freight forwarders	22.3	22.2	33.3	22.2
All firms (except frt. fwdrs.)	17.8	28.9	40.0	13.3
By orientation of trade:				
Exporters (shippers)	15.6	25.0	43.8	15.6
Importers (consignees)	23.0	38.5	30.8	7.7
By volume of trade:				
Large	11.1	22.2	50.0	16.7
Small	22.3	33.3	33.3	11.1

[a]The number of firms included herein are those in Table 8 which believe that the amount of freight in loyalty contracts should be limited to a certain per cent. That is, of the 20.5% of firms holding this view, 18.5% feel that the amount of freight in loyalty contracts should be limited to between 1% and 25%, 27.8% of the 20.5% of firms in this category would limit freight committed in loyalty contracts to between 26% and 50%, and so on.

Of those firms (20%) believing that the cargo commitment in loyalty contracts should be limited to a certain per cent, freight forwarders (41%) and Maritime shippers (30%) are the strongest proponents. Importers (13%) and West Coast shippers (14%) are less likely to hold this view. As Table 9 shows, among those firms wishing to limit to a certain per cent the cargo they promise to conferences in loyalty contracts, there is no concensus as to what that per cent should be. Small shippers, however, evidently prefer a lower limit than do large shippers.

Two large West Coast shippers favouring this option express the following views:

> Basically this company gets along well with the conferences, but we must have alternatives. We are against total commitment. In the past when we have had no alternatives, we have taken a beating.

> Loyalty contracts should be like railway agreed charges which are limited to a certain per cent of the traffic. This arrangement works well both ways because it lets both the conference and the shipper off the hook from time to time.

For an example of a conference patronage contract, see Exhibit 1.

In consideration of the preceding data and observations, the following conclusions may be drawn:

1. Only half of Canadian shippers have signed loyalty contracts.

2. Of firms signing loyalty contracts, approximately half believe them to be fair and reasonable, but less than a third have been able to sign loyalty contracts requiring a commitment of less than their total cargo.

3. The practice of providing shippers with discounts for signing loyalty contracts is not universally applied to (or perhaps not universally understood by) shippers.

4. The majority of shippers would like their freight commitment in loyalty contracts to be negotiable.

Surcharges

An issue receiving substantial attention over the past year or two is the question of surcharges. With the 1973 OPEC oil embargo leading to frequent oil price increases, shipping conferences quickly introduced bunker surcharges. With the doubling, and sometimes tripling of the surcharges in 1979-80, shippers began to question the justification for such charges.

Exhibit 1

Sample Conference Patronage Contract

CANADIAN CONTINENTAL EASTBOUND FREIGHT CONFERENCE

410 St. Nicholas Street, Montreal, Quebec, Canada H2Y 2P5

MEMORANDUM OF AGREEMENT, made this day of , 19 , between

MESSRS. _____

hereinafter called the Merchant ("Merchant" includes subsidiaries, affiliates and agents of any of them), and the several Steamship Lines named below Members and Associate Members of Canadian Continental Eastbound Freight Conference (hereinafter called the Carriers). It is understood and agreed that if any additional Line or Lines become Members or Associate Members of Canadian Continental Eastbound Freight Conference, such Line or Lines shall thereby and thereupon become parties to this Agreement as Carriers, and the Merchant shall have the right to ship on such Line or Lines to the same extent as on the other Carriers; and should any Line or Lines cease to be Members or Associate Members of said Conference, they shall simultaneously cease to be Carriers hereunder, and this Agreement shall thereupon terminate and expire as between the Merchant and such Line or Lines but shall continue in full force and effect according to its terms as between the Merchant and the Lines still remaining Members or Associate Members of said Conference.

1. In consideration of the conditions stated herein and in the Conference Tariff, the Merchant (Shipper or Consignee responsible for payment of freight) agrees to offer or cause to be offered to the Carriers for transportation by water to or through North European ports in the Bordeaux/Hamburg range (both included), all shipments of all commodities.

2. This Agreement covers all the Merchant's export shipments originating in Canada and moving out of Canadian ports (excluding direct shipments by water from ports in British Columbia, Hudson Bay and Newfoundland) to or through the aforesaid ports and all said shipments shall be tendered to the Carriers for their vessels which may load at Canadian ports and scheduled to sail to the aforesaid ports, and failure so to tender any such shipments to the Carriers or shipment of them by vessels other than those of the Carriers shall be a violation of this Agreement. The Carriers agree, subject to provisions hereof, to transport said shipments on their vessels sailing to the aforesaid ports.

3. The Merchant has the option of selecting any of the services and/or vessels offered by the Carriers subject to agreement with the particular Carrier as to the quantity. The Merchant agrees to make application for the type of service which he requires as early as practicable before the vessel's advertised sailing date. If the respective Carriers fail to confirm to the Merchant that the type of service requested is available than the Merchant shall give the Conference Office three business days to arrange the requested service on a vessel scheduled to sail within fifteen days after the clearance date desired. If the Conference Office fails so to arrange, the Merchant shall be free with respect to such shipment to secure such type of service elsewhere in accordance with the appropriate Tariff Rules.

4. The Carriers severally agree to provide at the rate or rates provided for in the Conference Tariff the type of service requested by the Merchant, in such vessels as they may respectively load at said loading ports for transportation to the aforesaid ports, provided such service may be available when the Merchant makes application. If the Merchant shall make shipment hereunder for the benefit of some party not signatory to the Conference standard form of Merchant's Agreement, or shall make shipment in violation hereof, the Merchant shall be liable to the Carriers for liquidated damages equal to twice the amount of freight that would have been payable under this Agreement in respect of the shipment constituting the violation. Upon request, the Merchant agrees to furnish to the Carriers, through the Conference Office, full information concerning propriety of any shipment made or not made by the Merchant under this Agreement and failure to furnish such information promptly after request shall entitle the Carriers to cancel this Agreement on ten days' written notice.

5. The commodities and the rates thereon to which this Agreement applies are set forth in the Conference Tariff from time to time in effect. Unless otherwise specified, the ocean and other charges in the Conference Tariff are expressed in Canadian currency. Rates under this Agreement may be decreased without advance notice. Rates under this Agreement are subject to increase from time to time and the Carriers will give notice of such increases by publishing same in the Conference Tariff not less than ninety (90) days in advance of the proposed effective date of such increases. Should such increase be not acceptable to the Merchant, the Merchant may tender notice of termination of this Agreement to become effective as of the effective date of the proposed increase by giving written notice of such intention within thirty (30) days after the date of the notice of the proposed increase; further provided that the Carriers may within thirty (30) calendar days subsequent to the expiration of the aforesaid thirty (30) day period, notify the Merchant in writing that the Carriers elect to continue this Agreement under the existing effective rates and, in the event the Carriers should give such notice, this Agreement shall remain in full force and effect as if the proposed increase had never been published and the Merchant's notice or termination had never been given. The Merchant shall be entitled to subscribe to the Conference Tariff and to receive copy of same and corrections thereto reflecting all changes from the Conference Tariff, upon payment of the applicable reasonable compensatory price. The Merchant agrees to be bound by the Conference Tariff (and by all notices accomplished as aforesaid), and further agrees that the Conference Tariff will form part of this Agreement as if herein recited at length without regard to whether the Merchant subscribes to the Conference Tariff or not. The Conference Tariff shall be open to the Merchant's inspection at the Conference Office and at each office of the Carriers during regular business hours. Notwithstanding the provisions of this article 5, the Carriers shall have the right to impose upon fourteen (14) days written notice published in the Conference Tariff, such temporary surcharge or surcharges as may from time to time be appropriate and required as a result of extraordinary conditions over which the Carriers have no control. It being agreed however that the fourteen (14) days written notice herein provided as a condition precedent for the imposition of such surcharges is hereby waived by the Merchant in respect of cases where such surcharge or surcharges are deemed by the Carriers to be appropriate or necessary as a result of war, hostilities, warlike operations, blockades, embargoes, official interference with commercial intercourse, acts of God and other events where in the reasonable opinion of the Carriers such surcharge or surcharges must be applied forthwith.

6. The Merchant acknowledges and accepts that goods shipped under the provisions of this Agreement may be verified as to description, measurement and weight by the Carriers or their representatives whom the Merchant hereby authorizes to take whatever measures shall be deemed necessary for the purposes of such verification including, but not limited to the breakage of containers' seals. The Carriers or their representatives shall not be responsible for any loss of or damage to the contents of the inspected containers unless it can be established they were caused by the negligence of their employees, servants or agents as the case may be.

7. Shipments are subject to all the provisions of the permit, dock receipt, and Bill of Lading in use by the Carrier when shipment is tendered. If the Merchant declares prior to shipment a value higher than the amount of limitation provided for in the Carriers Bill of Lading and requests such value to be inserted in the Bill of Lading, rates will be charged in accordance with the Conference Tariff rules to that effect.

8. In case of dispute under this Agreement the Merchant and Carriers each agree to submit the matter to arbitration at Montreal, each appointing an arbitrator and the two so chosen shall select an umpire, to which Arbitration Committee all data requested in connection with the matter in dispute shall be made available. Decision of two or more members of said Committee shall be binding on the parties.

9. This Agreement shall cover shipments on vessels scheduled to sail from Ports at which the shipment is loaded from the date hereof, and shall continue in effect on the same terms and conditions, subject to the right of either the Merchant or the Carriers to terminate the same at any time after ninety days from the day written notice of intention is given by one party to the other party.

10. In the event of the imminence or existence of war, hostilities or warlike operations between any Nations, blockades, embargoes, regulations of any government authority, or any official interference with commercial intercourse, affecting the operations of the Carriers, or any of them in the Trade covered by this Agreement, the Carriers or any one or more of them shall at their option have the right to cancel this Agreement.

MEMBERS

Atlantic Container Line GIE
Canadian Pacific Steamships Ltd.
Dart Containerline Company Limited

Hapag-Lloyd, AG.
Ernst Russ
} Joint Membership

ASSOCIATE MEMBERS

American Export Lines, Inc.
Sea-Land Service Inc.
Seatrain International, S.A.
United States Lines, Inc.

Contractors' Signature _____

Address _____

For and on behalf of the above named Steamship Lines.

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CANADIAN CONTINENTAL EASTBOUND FREIGHT CONFERENCE
410 ST. NICHOLAS ST.
MONTREAL, QUEBEC, CANADA

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Please return to Canadian Continental Eastbound Freight Conference, 410 St. Nicholas St., Montreal, Quebec, Canada. H2Y 2P5

A large Ontario shipper, a small Quebec consignee and a large Maritime shipper, respectively, explain why they regard the bunker and other surcharges suspiciously:

> The conferences simply use surcharges as a means of increasing revenue, not as a means of covering increased costs. Conferences and carriers should be required to justify surcharges.

> There exists the danger that the conferences are using the surcharges as a means of increasing revenue without any relation to cost and in violation of the agreements they require shippers to sign.

> We are not against cost recovery, but all the secrecy surrounding bunker surcharges implies that much more than cost recovery is involved.

Shippers and consignees throughout Canada are also concerned that the various surcharges are inconsistently applied, arbitrarily calculated and, in many cases, unwarranted:

> We have asked for justification and only one conference came through with some numbers. There have been instances where bunker surcharges are rising when costs are actually declining. Also conferences are very slow to react when currency goes down, but not vice versa. We do find, however, that the outsiders are more responsive with regards to currency surcharge changes.

> Certain surcharges, particularly bunker, and sometimes currency surcharges, change with no consistency and seem to bear no relation to current currency markets. Often one conference will increase the bunker surcharge while at the same time another conference in another trade route is reducing it.

> Congestion surcharges should be eliminated. It is no fault of the shipper if the ship has trouble being offloaded. The carrier selects the port to be used for offloading and should therefore pay the congestion surcharge if any.

Given the currency of the topic, a question was included in the survey seeking shippers' views concerning the most appropriate method of treating surcharges. The results are reported in Table 10.

Table 10

Users' Views on Methods of Handling Surcharges

	Percentage of firms which feel that surcharges should be:		
	Built into the basic freight rate	Provided for as they are now	Justified and allowed only with cost disclosure
All firms	28.8	17.6	53.6
Freight forwarders	14.3	28.6	57.1
All firms (except frt. fwdrs.)	30.0	16.7	53.3
By orientation of trade:			
Exporters (shippers)	25.2	15.2	59.6
Importers (consignees)	36.8	18.9	44.3
By volume of trade:			
Large	19.6	16.3	64.1
Small	35.8	17.0	47.3
By geographical distribution:			
Maritimes	17.4	39.1	43.5
Quebec	37.0	16.4	46.6
Ontario	28.5	13.8	57.7
Prairies	33.3	--	66.7
West Coast	26.9	19.2	53.8

When the survey questionnaire was initially designed, most conferences were identifying bunker (and other) surcharges separately and explaining them on bills of lading. By the time the in-person interviews began, several conferences had announced that the bunker surcharge would be built into the basic freight rate. Therefore, in administering the questionnaire, the option "surcharges should be provided for as they are now" was interpreted as meaning that surcharges should continue to be listed separately on freight invoices. This option is identified by 18% of surveyed firms as the preferred alternative for handling surcharges.

The only major departures from this ratio are with freight forwarders and Maritime firms (29% and 39%, respectively), who express a desire to see surcharges not built in but differentiated from basic freight rates in bills of lading. The rationale of firms holding this view is explained in the following comments of a small Prairie shipper, a large West Coast shipper and a large Maritime shipper:

> Whatever the amount is, it has to be paid. However, we do not want it hidden in the freight rate. We would like to know what we are paying for.

> Surcharges tend to get absorbed into rates and forgotten about. We want changing conditions to be reflected in amounts of surchages.

> We want bunker surcharges to be calculated and explained separately. In some cases the bunker surcharge is given as a percent of the base rate and this should be prohibited.

Nearly a third (29%) of firms surveyed would favour a situation whereby surcharges were built into the basic freight rate rather than charged separately. Freight forwarders (14%), Maritime shippers (17%) and large shippers (20%) are least likely to support the building in of surcharges into freight rates. Of those in favour, Quebec shippers (37%), importers (37%) and small shippers (36%) are the strongest proponents. Two shippers explain:

> We prefer to discuss only one price and not a base rate with unknown cost factors. This would allow us to do our costing more easily and to give firmer quotes to our customers.

> Many non-conference lines provide a single rate and it is much easier to work with in preparing quotations to our customers. With conference carriers, the basic rate is always attractive until you have added up all the surcharges.

Finally, the most prevalent view on this matter (held by 54% of firm interviewed) is that surcharges should be allowed only with full cost disclosure and justification. This received most support from Prairie firms (67%) and large users of marine transportation services (64%). Maritime firms and importers are more evenly divided. Surveyed firms indicate their general displeasure with the way surcharges have been treated, as evidenced by the following comments of two large shippers from Ontario and Quebec:

> Surcharges should only be allowed with full cost disclosure and justification. This would allow us to negotiate. If the carriers' bunker costs go down, we want to be able to take advantage of it.

> In our dealings with non-conference and other carriers, we do develop a workable bunker surcharge formula based on transit times, distances, and posted prices of fuel. So we should be able to do this with the conferences as well....At least with the non-conference carriers it is possible to negotiate something fair and reasonable.

Firms advocating the principle that surcharges should be justified based on cost disclosure suggest several methods of evaluating conferences' requests for surcharges, as reflected in the following comments of two Ontario shippers, one large and one small, and a large Quebec consignee:

> We would like to be able to obtain data from conferences which justifies the surcharges. This could be done on an industry association basis.
>
> There should be an independent body involved in evaluating surcharges to see if they are justified. Shippers do not have the resources. Conferences, for example, could put an application for a surcharge to this body and it would have to be justified.
>
> Surcharges should be allowed only with full cost disclosure and justification. They should be set in conjunction with a benchmark taking into account world oil prices in the case of bunker surcharges and exchange rates in the case of currency surcharges. Such benchmarks or formulas should be government controlled and revised monthly or quarterly.

One small West Coast firm offering a slight variation to the above approach is of the opinion that

> As much as possible surcharges should be eliminated. They should then be built into normal rate increases with the implementation or approval of any such increases requiring justification through a cost evaluation conducted in a form satisfactory to shipper groups.

On the other hand, a few firms such as this small Maritime shipper have never doubted the integrity of conferences in the matter of surcharges:

> In our experience the conferences have always made appropriate adjustments to surcharges in accordance with changes in fuel costs and exchange rates.

And, finally, one small Ontario consignee likely speaks for a number of his confrères in saying:

> We don't really care if the surcharges are too high, we just change our selling prices.

Equalization of Rates over Ports

A common practice of many conferences is to equalize rates over ports in a given zone. "Rates are assessed on an area to area basis. For example, the rate charged on a particular commodity moving from Eastern Canada on a member line of the Canadian Continental Eastbound Freight Conference is identical to any port in the Le Havre/Hamburg Range."[2] Similarly, the rate on a particular movement from any port from Montreal to Halifax or Saint John, Canada, to some point or range in Europe is the same. Conferences argue that the same rate should be charged to or from Atlantic Canada and St. Lawrence River ports so that all shippers and consignees in particular trades can share the cost of the ocean voyage. In addition, conference lines like to equalize rates over all the ports in a trade so that they can all get some share of the Canadian market.

The following views expressed by one large shipper typify the views of most traffic managers in Atlantic Canada:

> The lack of recognition of our location advantage for European exports not only negates this advantage but puts our production at a severe disadvantage to our Quebec competition. The costs of shipping to Halifax can amount to in excess of 25 per cent of the delivered U.K. transportation costs. This puts us at an extreme disadvantage to competition located in the Montreal area and incurring minimum costs between their plants and the port.
>
> Conference lines have insisted on maintaining the same rates from Montreal and Halifax, where some non-conference lines have been prepared to give us the advantage of our locations.
>
> If conference lines are to be exempted from combines legislation, there must be some provision to cause them to treat the Maritime provinces on a more equitable basis.

Moreover, firms in the Maritime provinces are supported by firms elsewhere in Canada:

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2. Water Transport Committee, Canadian Transport Commission, The Shipping Conferences Exemption Act: An Examination into the Practices of Shipping Conferences and the Requirement for Continuing Conditional Exemption from the Provisions of the Combines Investigation Act (Ottawa, 1978), p. 58.

The shipper from Montreal who ships via Halifax is highly subsidized by the Maritime exporter.

Whenever you have equal rates for unequal distances somebody is being subsidized. Therefore the Central Canadian shippers and consignees should pay higher rates.

Table 11

Users' Views on Equalizing Rates over Ports

	Percentage frequency response		
	Rates should be equalized	Central Canada rates higher	No opinion
All firms	32.6	42.5	24.9
Freight forwarders	18.2	68.2	13.6
All firms (except frt. fwdrs.)	33.8	40.3	25.9
By orientation of trade:			
Exporters (shippers)	35.2	38.3	26.6
Importers (consignees)	32.1	43.1	24.8
By volume of trade:			
Large	37.2	37.2	25.5
Small	32.0	42.0	26.0
By geographical distribution:			
Maritimes	8.3	79.2	12.5
Quebec	42.5	31.5	26.0
Ontario	37.0	37.8	25.2
Prairies	15.4	53.8	30.8
West Coast	26.9	34.6	38.5

Table 11 summarizes survey respondents' views on whether liner conference transportation rates to or from parts in Central Canada (St. Lawrence River ports) should be the same or higher than the rates for transporting the same goods to or from ports in the Maritime provinces. Quebec firms favour the equalization of rates over ports, while Maritime firms are strong proponents of the view that rates to and from Central Canada should be higher than rates to and from Atlantic Canada ports. Ontario shippers are evenly divided. Prairie firms tend to agree with

Maritime firms, and although West Coast firms are inclined to agree with Maritime firms, a majority of them do not feel qualified to give an opinion.

Joint Conferences

The joint conference issue is often regarded as a West Coast issue. Related discussion revolves around the difficulty of Canadian West Coast shippers in obtaining consultations with joint Canada/U.S. conferences headquartered in San Francisco. The present survey did garner some discussion on the topic as framed above and, in addition, attracted comment on other dimensions of the problem.

Table 12

Users' Satisfaction in Dealing with Joint Conferences

	Percentage frequency response		
	Dealings satisfactory	Dealings not satisfactory	Can't say
All firms	46.1	19.4	34.4
Freight forwarders	50.0	33.3	16.7
All firms (except frt. fwdrs.)	45.7	17.9	36.4
By orientation of trade:			
Exporters (shippers)	49.5	18.4	32.0
Importers (consignees)	39.0	16.9	44.1
By volume of trade:			
Large	54.7	23.4	21.9
Small	39.8	14.3	45.9
By geographical distribution:			
Maritimes	57.1	—	42.9
Quebec	44.9	22.4	32.7
Ontario	42.3	16.9	40.8
Prairies	37.5	25.0	37.5
West Coast	55.0	20.0	25.0

Firstly, Table 12 shows the degree to which shippers' dealings with joint conferences have been satisfactory to their needs. The majority of firms experienced in shipping or importing with joint conferences are satisfied with their dealings with such conferences, as expressed in the following comments made by a large national Ontario-based consignee and a large West Coast shipper:

> The joint conferences we deal with are very rigid from a negotiation point of view. We do, however, enjoy the benefit of paying the same rate in and out of Seattle as we do to and from Vancouver using conferences.

> Often we wished we had somebody to talk to in Canada. But, generally, dealings have been quite satisfactory with joint conferences.

Users throughout Canada share the following concern relating to joint conferences, as expressed by a large Ontario shipper:

> We have problems with the conferences which say they are Canadian (because they have an office here) but really, all decisions are made in New York.

An aspect of the joint conference issue which enjoys currency in certain circles is the notion that an "evil" practice of joint conferences is that they refuse to call at the Port of Vancouver. Survey participants clarified this issue when a number of them stated that as Canadians they would very much like to specify the Port of Vancouver as a loading/unloading port, but due to a number of problems they consider it necessary to specify the Port of Seattle. A large consignee from Ontario explains:

> Our biggest problem is the Port of Vancouver. Because of restrictive union practices, the service is very poor. And, National Harbours Board rates are very high. More importantly, the union's insistence on stuffing and destuffing containers means excessive and unacceptable damage to goods. To overcome the problem we use the Port of Seattle which provides excellent services at good rates and allows us to stuff and destuff containers ourselves. We would very much like to increase our use of Vancouver, but until they start offering reasonable services and the unions relax their restrictive rules we will continue to select only those ocean carriers which call at Seattle.

With respect to suggestions for the appropriate handling of joint conferences in future legislation, survey participants were asked the following question:

> When a new shipping line wishes to join a conference, the existing members of the conference hold a vote to determine if the new carrier should be allowed to join. Do you think that members of a joint Canada/U.S. conference who do not serve Canadian ports should be prohibited by law from voting to grant (or deny) membership in a joint Canada/U.S. conference to a new liner wishing to serve a Canadian port?

Responses to this question are shown in Table 13.

Table 13

Users' Views on Voting Privileges for Joint Conference Member Carriers Not Serving Canadian Ports

	Percentage of firms favouring prohibition of voting privileges		
	Yes (prohibit)	No (don't prohibit)	Can't say
All firms	60.5	12.7	26.6
Freight forwarders	82.4	17.6	—
All firms (except frt. fwdrs.)	57.9	12.1	30.0
By orientation of trade:			
Exporters (shippers)	66.3	9.0	24.7
Importers (consignees)	43.1	17.6	39.2
By volume of trade:			
Large	72.9	10.2	16.9
Small	46.9	13.6	39.5
By geographical distribution:			
Maritimes	38.5	15.4	46.2
Quebec	58.1	9.3	32.6
Ontario	60.3	12.1	27.6
Prairies	57.1	14.3	28.6
West Coast	63.2	15.8	21.1

The vast majority of firms responding to the survey question concerning the future treatment of joint conferences feel that member lines serving U.S. ports only should be prohibited from participating in votes pertaining to membership involving new carriers wishing to serve Canadian ports. However, a large Quebec shipper and a small Ontario shipper point out these additional dimensions to the joint conference issue:

> The real issue concerning joint conferences is not one of consultation or of membership. Conferences should have the right to say who can join their ranks. However, conference lines that do not serve Canada should not be able to comment or vote on rate structures related to ports that they do not serve.
>
> More importantly than the question of voting on membership, carriers not serving Canadian ports within a conference should be prohibited from voting on rate deals as well. That is, on any business relating to Canada, they should not have a vote at all.

Consultation and Relationships with Conferences

Most of the issues discussed in this chapter on liner conference practices are the same as those considered in the review leading to amendments made to the Shipping Conferences Exemption Act in 1979. Therefore, it is of interest to learn to what extent shippers' day-to-day dealings with the conferences have improved since those amendments were made. In this regard, further light is shed by an examination of the degree to which shippers are satisfied with the process by which they communicate with conferences, that is, the consultation process.

In response to being asked to characterize their dealings with liner conferences since the 1979 amendments to the Act, 78% of the firms surveyed report no change. No major departures in this percentage are reported by the different categories of firms except that more West Coast and fewer Prairie firms feel that changes have occurred. Of the 22% of firms reporting a change, 16% consider that their dealings with conferences have improved and 6% feel that they have deteriorated. These percentages are fairly representative of the responses of most categories of firms. West Coast users are evenly divided on whether the situation has deteriorated or improved, while Maritime and Prairie firms appear to have experienced an improvement rather than a deterioration.

In explaining why they feel their dealings with conferences have improved since 1979, one large Prairie shipper attributes the change to a depressed ocean traffic market:

> The conferences have been more willing to negotiate mostly because they are in a desperate situation. With the low economy, volumes are down. We will see what happens when the economy turns around.

Several users are more inclined to think that their relationships with the conferences have improved due to a more effective competitive threat provided by the independents. Two large shippers, one from the West Coast and one from Quebec, explain:

> Conferences are slightly less high-handed lately due to the presence of outsider competition. Lately conferences have been sending around newsletters and doing a lot more public relations work on the West Coast in an attempt to protect their positions in the face of revisions to legislation in both Canada and the United States.

> Due to better traffic management, an increased level of awareness, and some competitive clout, our dealings with liner conferences have improved in recent years. The Canadian Shippers' Council has had some impact, however. We have developed a good rapport with the shipping agents who represent the conferences and who go to bat for shippers. It is the agents who understand shippers' needs and the nature of the movements involved. Not all of our consultations with conferences are perfect, but all are fairly satisfactory because of the competitive preence of independents.

Firms were asked to comment on consultations held with conferences in the last three years. Whether they took the form of formal meetings, an exchange of letters or telexes, or consultation through a freight forwarder, for the purposes of the survey a consultation is defined as an instance of negotiation relating to the resolution of a single issue. Table 14 shows the percentage of surveyed firms actually involved in negotiations or consultations. The average number of consultations held, the average number of those consultations which resulted in satisfactory conclusions, and the ratio (percentage) of satisfactory to actual calculations are also presented.

Thirty-nine per cent of surveyed shippers and consignees have participated in consultations with conferences. The incidence of involvement of freight forwarders is higher. Maritime and Prairie firms boast of the highest success ratio. Some firms mention they do not bother consulting with conferences because they are certain the outcome will be in the conferences' favour. Moreover, while exporters and large shippers tend to consult much more frequently with the conferences than do importers and small firms, all meet with roughly the same degree of success.

Some of the firms such as this large Maritime shipper speak very positively about the excellent relations they enjoy with the conferences:

Table 14

Users' Experience with Conference Consultations[a]

	% of firms participating in consultations with conferences	3-year average actual consultations held	Number of satisfactory consultations concluded	Satisfactory consultations as a % of actual
All firms	41	8	6	75
Freight forwarders	64	19	13	68
All firms (except frt. fwdrs.)	39	7	5	71
By orientation of trade:				
Exporters (shippers)	50	7	5	71
Importers (consignees)	24	4	3	75
By volume of trade:				
Large	51	11	7	64
Small	37	3	2	67
By geographical distribution:				
Maritimes	50	7	7	100
Quebec	42	9	6	68
Ontario	36	4	3	75
Prairies	31	12	10	83
West Coast	41	5	3	60

[a]Example: 41% of survey respondents participated in consultations with conferences. In the last three years, each of those firms held an average of eight consultations with conferences of which six (or 75%) were satisfactory.

> This firm feels that relations with conference lines are satisfactory. When talking about prices, we deal with individual lines and use them to go to bat for the firm in the conference.

Several firms, however, qualify this impression by expressing concern about the timeliness of decisions and judgements made by conferences. A large West Coast shipper comments:

> We have been able to get some satisfaction from conferences. Basically, however, they are too slow to react. In our business, sales commitments across the world are made overnight so we need better turnaround on rate requests than two weeks. We have been able to set up some freight rates (and dates) in advance, but in this business it is very difficult to know where we are going to ship next.

A large shipper from the Prairies and another from Quebec comment on some of the aggravation or frustration they have experienced in conducting negotiations with conferences:

> Conferences seem to respond more to how many boxes they will lose rather than how many they are presently carrying. Faced with the proposition of losing substantial traffic, the conferences have made an effort to understand our industry a lot more and now recognize the potential.

> In the process of trying to negotiate rates with conferences, we have to deal first with the carrier representatives, then, the Montreal conference secretary, and the final decision is made in Europe or New York. It seems to us that if these foreign owned and controlled conferences are to be protected by the umbrella of Canadian legislation, then there should be some mechanism whereby the conferences should be accountable to Canada and Canadian industry.

Finally, shippers are perturbed when, after having put in a good deal of effort to explain costs, market sensitivities, etc., only to have a request for a rate change refused, the freight solicitors (or shipping agents) drop by to try and console them. Says one large Ontario importer/exporter:

> Following a conference's refusal of a request for a rate change etc., the carrier representatives come around to visit us stating, "It's not us...it's the conference that denied your request." This is simultaneously amusing and irritating. The carrier representatives don't like to be told "What are you talking about -- you are the conference."

Survey respondents were asked to identify which conferences, if any, they find to be least receptive to their requests for consultation. Of the 41% of firms reporting involvement in consultations with conferences, 38% (or 16% of all firms surveyed) name particular conferences which they think are not receptive. Difficulties in weighting these responses, however, preclude the expression of conclusive statements concerning specific conferences.

Chapter III

FREIGHT FORWARDERS' EXPERIENCES AND CONCERNS

The Role of the Freight Forwarder

Freight forwarders are responsible for the movement of a substantial amount of traffic in and out of Canada on behalf of shippers and consignees. In many cases the freight forwarder acts as a for-hire transportation department for a number of small and medium-sized shippers. Because of this role, freight forwarders possess much valuable experience with regard to the various practices of liner conferences. The purpose of this chapter is to report the views of surveyed freight forwarders on the conference practices discussed from the shipper's viewpoint in Chapter II and on alternative approaches to governing the activities of conferences.

As commissionable agents acting on behalf of shippers, freight forwarders book vessel space, prepare and present documents, arrange transportation to and from ports, and provide other complementary services without necessarily handling the goods themselves.

> The importance of their work must not be underrated. The documents required as a result of statutes, regulations and commercial practices include ocean and inland bills of lading, customs declarations, consular documents, dock receipts, certificates of inspection and measurement, certificates and binders for insurance, banking documents, forwarders' receipts and others for the business uses of the carrier, such as invoices and billing forms, manifests, tracers and the like.[1]

As an agent, the freight forwarder charges clients according to a prearranged schedule of fees for any or all service(s) performed. The fee can take the form of a fixed charge, a percentage of the freight, a percentage of the value of the goods, etc. In this role, the freight forwarder also performs a service for the carrier (by regularly providing the carrier with traffic which is accompanied by correct and timely documentation) for which he is often, but not always, paid a commission on the freight he generates.

By pooling or consolidating the small (i.e., less than container-load) shipments of numerous shippers, some freight forwarders in effect act as carriers themselves, transporting the goods and delivering

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1. Canadian Institute of Traffic and Transportation, Canadian Traffic and Transportation, vol. I (Toronto, 1978), p. 251.

them to the ultimate consignee at a single rate for the through door-to-door movement. This rate is generally lower than that which would apply to the same small shipment if made by a shipper dealing directly with the carrier. The freight forwarder can offer this rate by chartering large volumes of space from carriers at "wholesale" prices and then selling portions of it to his clients at "retail" prices.

In the United States, the freight consolidator is known as a Non-Vessel Owning Common Carrier (NVOCC) and is licensed as a common carrier. In Canada, NVOCCs exist in fact but not in name; here, they are more likely to be referred to as Multi-modal Transport Operators (MTOs). Once a shipper has offered his goods for transport to the freight consolidator, he foregoes the right to specify a liner/carrier because he has in fact already specified the freight consolidator as the carrier. The freight consolidator, or MTO, is able to offer competitive rates because he has booked space on certain ships or lines. The rates would therefore not be transferable to other lines, and the carriers with which the freight forwarders have made special contractual space arrangements are those which must be used for the movement in question. Finally, "the forwarder may have important strengths in his inland groupage facilities far from the ports, and can often adapt himself to the shipper's needs rather better than can a highly organized line. A large number of the rather more successful forwarding organizations have established world-wide networks and these have been greatly appreciated by shippers."[2]

Concerning the question of who makes use of such services, "many of the largest corporations...use freight forwarders and have done so for many years....The size of the corporation, therefore, is not necessarily the deciding factor. Individuals conditions determine individual decisions."[3] Moreover, some parties hold the view that "when a small or medium size shipper...has to solve seaborne delivery problems, he has no other alternative but to look for a freight forwarder prepared to offer him the good services he needs."[4]

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2. "NVOCC's: The Forwarder Fights Back," International Transport Journal -- Overseas Digest, 29 January 1982, pp. 493-95.

3. D.G. Gillespie, "Freight Forwarding and Brokerage," Export Trade and Shipper 76, no. 13 (28 October 1957).

4. N. DeMichelis, contribution to "The Position of Freight Forwarders in Maritime Trade," The Published Proceedings of the International Federation of Freight Forwarders Associations (FIATA), Dublin, Ireland, June, 1982.

Forwarders' Comments on Conference Practices

Increases in freight rates. Like their shipper and consignee counterparts, when faced with an increase in the price of liner conference service, surveyed freight forwarders report that their or their clients' most common course of action (33%) is to attempt to negotiate a reduction in the increase. Acting in their own interest or on behalf of their clients, freight forwarders are just as likely (31%) to switch to other marine shipping organizations. They are somewhat more likely to take this action than shipper survey respondents (25%). Freight forwarders' clients are approximately as likely to reduce the price of their export goods as are other shippers. However, freight forwarders' clients are twice as likely as other shippers to switch to new sources for their imported goods.

Loyalty contracts. Generally speaking, most freight forwarders' clients (68%) have signed loyalty contracts with conferences; signing such contracts makes shippers eligible for contract rates. Freight forwarders are somewhat more likely (60%) than other firms (52%) to consider the loyalty contracts that their clients have signed to be fair and reasonable. However, freight forwarders' clients are only about half as likely (13%) as other shippers (30%) to be able to negotiate commitments of less than their total cargo in the loyalty contracts they sign.

Freight forwarders' clients are nearly twice as likely as other firms (67% versus 34%, respectively), however, to obtain discounts in the 11%-15% range. With regard to the law concerning loyalty contracts, the majority of freight forwarders (41%) consider that such contracts should be limited to a certain per cent; there is, however, no apparent agreement as to the suggested degree of this limitation. As second choices to the above alternative, freight forwarders believe that the amount of freight included in loyalty contracts should be kept negotiable as provided for in the current legislation (27%) or should be prohibited completely (27%). A negligible number (5%) of freight forwarders consider the practice of requiring a mandatory 100% traffic commitment in loyalty contracts to be desirable.

Surcharges. In agreement with surveyed shippers, the majority of freight forwarders (57%) believe that bunker, currency, congestion and other surcharges should be allowed only with full cost disclosure and justification. As with other firms, discussion of the surcharge topic amongst freight forwarders is plentiful. Some freight forwarders are confident that the carriers have been forthright in their approach to surcharges.

> Our firm's experience with surcharges has been good; that is, fluctuations in fuel costs and exchange rates are followed by changes to bunker and currency surcharges in the case of increases and decreases.

Moreover, as evidenced in the following comments, most freight forwarders are just as suspicious of the justifiability of the various surcharges as are their shipper and consignee counterparts.

> We want to know what the amounts are so that we can isolate them and negotiate on that basis. We know (in some cases) that the "ups" are being applied but we are not sure about the "downs." All carriers, however, are very slow to react to "downs."

> The calculation of surcharges seems to be a very big mystery -- especially bunker surcharges. When bunker prices go down, so should the surcharges, but in many cases they do not. Also it is almost impossible to monitor daily currency changes and port congestion problems. We therefore conclude that bunker surcharges are nothing but a way of soliciting additional revenues and profits.

Nearly a third of freight forwarders (29%) feel that surcharges should continue to be treated the way they have been, that is, explained clearly and separately on waybills. Half of that number believe that surcharges should be built into the basic freight rate. Such firms express their clients' interests, saying:

> Our clients prefer to know the cost of shipping and do not wish to be bothered with a bunch of rules and surcharges. Therefore, surcharges should be built into the basic freight rate.

Less than 5% of freight forwarders favour incorporating surcharges into the basic freight rates in order to collect additional fees. Moreover, most of the few freight forwarders supporting this view do so on a qualified basis.

> As freight forwarders, we would make more money if the various surcharges were built into the freight rate. Moreover, it is important that our clients have the benefit of knowing what they are paying for so that they can make appropriate adjustments to the prices of their products.

Finally, one freight forwarder stresses the need for flexibility in these matters:

> Surcharges should not be applied to all customers in a uniform manner but should be negotiated independently. Different lines obtain fuel from all over the world and at different costs. In independent negotiations of bunker surcharges these costs differences could be taken into account.

Equalization of rates over ports. Freight forwarders (68%) are much more convinced than shippers and consignees (43%) that liner conference transportation rates to or from ports in Central Canada should be higher than rates for transporting the same goods to or from ports in the Maritime provinces. Only 18% of freight forwarders feel that the rates in question should be set at the same level. One forwarder expresses the views of his industry in the following statement:

> Transportation to the client should be cost reflective; otherwise subsidization is involved. Either the Maritime firm is subsidizing his Central Canadian competitor or, at least, he is being overcharged.

Joint conferences. Half of the surveyed freight forwarders say that their dealings with joint conferences have been satisfactory to their needs. However, a third of the forwarders participating in the survey hold the opposite view:

> They are all unsatisfactory but for a host of different reasons. Joint conferences tend to understand and treat Canada in the complete context of Federal Maritime Commission regulations. The conferences make a decision relating to their U.S. traffic and simply duplicate it for Canada.

In agreement with many shippers and consignees, however, a number of forwarders maintain that the joint conference issue does not have as much to do with conference service to the Canadian and U.S. west coasts as with problems peculiar to the Port of Vancouver.

> Our dealings with all the conferences we use have been satisfactory. The major problem with marine shipping to and from Canada is the Port of Vancouver. Their charges are too high and their services are poor. Labour union inflexibility demands that containers be stuffed and destuffed at the port rather than at the shipper's/consignee's property or at a private warehouse. This leads to excessive pilferage and damage. Until the situation at Vancouver improves, most shippers/consignees will be forced to use the U.S. ports (notably, Seattle, which seems to be more than eager to handle the business).

To a greater extent than other firms (61%), freight forwarders (82%) feel that members of a joint Canada/U.S. conference who do not serve Canadian ports should be prohibited from voting on a conference deny membership application made by a new liner wishing to serve a Canadian port.

Consultation and relationships with conferences. Being essentially in agreement with their shipper/consignee counterparts, the majority (71%) of surveyed freight forwarders state that there has been no change in the character of their dealings with liner conferences since the 1979 amendments to the Shipping Conferences Exemption Act. Among forwarders reporting a change, twice as many (19%) cite an improvement rather than a deterioration (10%) in their dealings with the conferences since 1979. However, only 17% of firms reporting a change attribute it to the 1979 revisions to the Act.

Sixty-four per cent of freight forwarders participating in the survey have engaged in the consultation process with conferences, the average number of consultations or instances of negotiation in the last three years being 19. On the average, 68% of these were considered to be successful. Typically, conferences prefer not to deal with freight forwarders in their role as forwarding agents as opposed to consolidators, and require written documentation from the freight forwarders' clients (i.e., shippers and consignees) to the effect that they have appointed the forwarder as being responsible for looking after their interests with the conference in question.

The very largest of forwarders do not report any major problems in conducting negotiations with conferences on their clients' behalf; some of the not-so-large forwarders have had more difficulty in consulting with conferences than they would consider appropriate. Regardless of size, however, freight forwarders offer much the same criticism of the conference consultation process as do shippers who engage conferences directly in such talks.

> The consultations we have had with conferences are written presentations which we make on behalf of client/commodity groups. The usefulness of consultations with conferences is really a question of time frame. Sometimes the answers we get back from the conferences arrive way too late to be of any use. So some of the consultations have satisfactory conclusions, but because of the time it took the conference to make a decision, the outsiders came in and gave us what we needed.

Generally speaking, the conferences which freight forwarders find to be the most unreceptive and difficult to consult with are the same as those named by the other firms participating in the survey.

Forwarders' Views on Protecting Shippers' Interests and Governing the Behaviour of Conferences

Shippers' interests. Freight forwarders pride themselves on their ability to serve their clients well, and most forwarders participating in the survey rate themselves as best able to look after users' interests in relation to liner conferences. Their second choice in this regard

is shippers themselves, followed by the Canadian Shippers' Council (CSC). Freight forwarders are identified by shipper survey respondents as third best able to look after shippers' interests (following behind shippers themselves and the CSC).

Generally speaking, the freight forwarders surveyed are of the view that users' interests are best looked after in situations where free market forces are allowed to operate.

> We are in favour of competition because we believe that competition breeds innovation. In Canada we should not have cartels. When carriers or any firms have to compete, they work harder to learn of and look after customers' needs. Freight forwarders have to be competitive and hence innovative in order to stay in business. If cartels [conferences] are going to be legal, then freight forwarders and shippers had better have rights also.

A number of freight forwarders are of the view that they and the Canadian Shippers' Council should work together:

> To be effective, the freight forwarder should, in conjunction with the Canadian Shippers' Council, be involved in negotiations with the conferences. This will protect the best interests of both the shipper/importer and that of the carriers and shipping agents. This is proposed bearing in mind that the freight forwarder has the unique position of being a commissioned agent to the line, as well as a professional consultant to its clients and therefore has to look objectively at the total transportation picture from both sides.

Governing conference activities. Freight forwarders are quite divided in their views as to how liner conferences should be regulated to best serve users. The view that, in order to ensure adequate services to shippers, the bargaining power of the CSC in relation to liner conferences should be strengthened is held by 29% of freight forwarders. An equal number believe that the Shipping Conferences Exemption Act should be repealed and liner conferences should be subject to competition laws as provided for in the Combines Investigation Act.

Nineteen per cent think the activities of the liner conferences should be regulated by the Canadian Transport Commission (CTC), with approval required for changes in rates, services, etc. Only 14% would agree with the statement that conferences and users need the protection of the current Shipping Conferences Exemption Act. The remaining number (10%) hold other views revolving around a revised, strengthened Act.

Freight forwarders who support the continued conditional exemption of conferences from Canadian competition laws along current lines offer these comments:

> It is worthwhile to let conferences exist because they set a pace and organization for the industry. This firm favours conferences for the following reasons:
>
> (1) frequent, regular services;
> (2) stability of rates;
> (3) their maintenance of services to even non-profitable ports of call; and,
> (4) the financial solvency of member lines.
>
> The SCEA [Shipping Conferences Exemption Act] should be kept as it is as long as freedom exists for outsiders to compete and for vessels of all flags to serve Canadian ports.

Comments for and against the government regulation option include the following:

> Concerning the CTC, there is law but no Transport Canada policy; therefore whatever powers the CTC currently has are pointless. There should perhaps be a joint venture between the Canadian Shippers' Council and the Canadian Transport Commission to control conferences. However, there is really no need for the Canadian Shippers' Council because all of its supposed functions could or should be carried out by the Canadian Transport Commission. The Government of Canada needs to develop policy concerning marine transportation and to pass legislation empowering the Canadian Transport Commission to regulate the activities of conferences or, better yet, the carriers themselves.
>
> Concerning FMC [Federal Maritime Commission] style regulation, this would only make sense if Canada had a merchant marine to protect and also to add as an alternative to the conference carriers.

Less than half (46%) of the freight forwarders surveyed are aware that the CTC is legally empowered to try to resolve problems that the CSC has been unable to settle with the conferences.

A small number (14%) of forwarders state that they assist their clients in making presentations to the CSC to resolve problems with conferences. Such involvement is primarily in the area of general rate increases (33%). Quite a few more freight forwarders than other firms (55% compared to 34%) are aware that the CSC is empowered by law to conduct consultations with conferences on behalf of shippers in the case of outbound traffic.

Most forwarders (31%) are silent on the subject of the past effectiveness of the CSC. Of the remaining number, 27% reply positively and 32% reply negatively to the proposition that the existence of the CSC has enabled users to obtain satisfactory cooperation from conferences, thereby allowing them to conduct negotiations more effectively. However, freight forwarders more than other firms (50% compared to 41%) are of the opinion that the bargaining power of the CSC should be strengthened. Freight forwarders and other firms are, however, in agreement concerning the various means that should be undertaken to strengthen the CSC.

Responses to the survey questionnaire item on conference regulation notwithstanding, of all survey participants, freight forwarders hold the most divergent views concerning the most appropriate way of regulating the activities of shipping conferences so as to best meet shippers' needs. To conclude, the following are two of the comments made by participating forwarders on this issue:

> Conferences should be permitted for stability in particular markets. However, the shipper/importer should not be subject to penalties or discounts related to the observance of loyalty contracts. That is, the permissive section of the act which allows such penalties should be repealed.

> In principle, we agree with the idea of repealing the SCEA. However, the effect of this would have to be considered especially on the West Coast where lines may refuse to call at Vancouver and discharge all cargo in Seattle, Washington. Greater government involvement, however, is not always the best solution. What we would like to see is individual lines within conferences having some autonomy in rate setting relative to their own costs.

Chapter IV

SHIPPERS' INTERESTS AND THE REGULATION OF OCEAN CARRIERS

Protecting Shippers' Interests

Fundamental to the question of governing the activities of conferences in order to ensure adequate services to users is the need to define shippers' or users' interests. A report prepared by the UNCTAD secretariat in 1975 helps with this definition:

> The interests of shippers are that they should be able to have their goods transported from point of origin to point of market safely, expeditiously and as economically as possible, and that the facilities to do this should be available with the required frequency. Their overall interest thus has a number of facets no single one of which is more important than the others, although most discussion of shipper interests does tend to concentrate on the question of freight rates. Shipper requirements are met by the providers of transport.[1]

Further, large and small Canadian importers and exporters express specific views relative to the manner in which it would be possible to address shippers' problems and best protect their interests.

> We believe that individual shippers themselves are best able to look after their interests in relation to liner conferences. We are fairly small, and if we are able to do it other shippers should be able to as well. (small Maritime shipper)
>
> Industry associations are the most effective in dealing with conferences. (large Quebec shipper)
>
> Our firm has made presentations to conferences with other Maritime region shippers collectively with the assistance of the Atlantic Provinces Transportation Commission. We feel that this group is best able to look after Maritime shippers' interests in relation to conferences. (large Maritime shipper)

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1. United Nations Conference on Trade and Development, Protection of Shippers Interest: What Are Shippers' Interests? (New York, 1975), p. 1.

> Shippers could look after their own interests if there was better communication between shippers and carriers. A newsletter would be very helpful to small shippers; it should provide information on sailing times, rates, surcharge notices, rights of shippers, etc. (small West Coast shipper)

> We have relied on freight forwarders to handle our export/import trade. Unfortunately, this has resulted in some ignorance on our part of facts helpful to shippers. If there were a provision within the mandate of the Shippers' Council to direct the policies of forwarders, a casual shipper such as ourselves could be more comfortable relying on our freight forwarder. If this is not possible, perhaps the Canadian Transport Commission could include some regulation of forwarders within their mandate. (small Ontario shipper)

Because of the divergence of opinion on the matter, survey participants were asked to rank which body they consider to be best able to look after shippers' interests in relation to liner conferences. Different bodies were ranked on a 1 to 6 basis, with 1 being assigned to the best able and 6 to the least able. Taking into account that some respondents did not rank all possibilities, the ranks for each of the different organizations were averaged.

Examination of the rankings in Table 15 shows that all firms together, Ontario firms, exporters, importers, large firms and small firms hold essentially the same view; that is, individual users are best able to look after their own interests, followed by the Canadian Shippers' Council (CSC) and freight forwarders. In every case except the Prairies, where freight forwarders are given the highest ranking, shippers and consignees regard themselves as best able to conduct their affairs with the conferences. Freight forwarders consider themselves best able to look after users' needs, particularly small users. Forwarders also consider shippers and consignees themselves and the CSC to be competent in this regard. Maritime firms seem to be the most confident of their own shills.

Another way of determining which organization is best able to look after users' needs relative to the conferences is to observe the frequency with which the different organizations were selected as firms' first or second choices, as shown in Table 16.

In drawing conclusions from data such as those in Tables 15 and 16, both economic and statistical theory signal caution in interpreting the magnitude of the gaps between rankings. At the risk of amalgamating individual rankings into community preferences, two conclusions are drawn. First, individual shippers consider themselves most capable of looking after their own interests. Second, a situation that would

Table 15

Users Rank Organizations Best Able to Look after Their Interests (Average Rankings)[a]

	Individual shippers	Canadian Shippers' Council	Individual freight forwarders	Government agency (like CTC)	Individual lines in conferences	Liner conferences themselves
All firms	2.2	2.6	3.2	3.7	3.8	4.6
Freight forwarders	2.5	2.7	2.2	4.6	3.5	4.8
All firms (except frt. fwdrs.)	2.1	2.6	3.3	3.6	3.8	4.6
By orientation of trade:						
Exporters (shippers)	2.0	2.4	3.3	3.8	3.9	4.8
Importers (consignees)	2.2	3.1	3.3	3.4	3.7	4.2
By volume of trade:						
Large	2.0	2.2	3.7	3.8	3.9	4.8
Small	2.2	2.9	3.1	3.6	3.8	4.4
By geographical distribution:						
Maritimes	1.5	2.5	4.0	3.8	3.9	4.2
Quebec	2.0	2.5	3.8	3.5	3.7	4.4
Ontario	2.2	2.5	3.0	3.6	4.0	4.8
Prairies	2.8	3.3	2.1	4.0	4.0	4.5
West Coast	2.2	3.3	3.5	4.0	3.3	4.4

[a]A ranking approaching 1.0 indicates strong preference for a particular organization, while a ranking approaching 6.0 indicates the opposite. That is, 1 is very good and 6 is very poor.

Table 16

Percentage Frequencies of Users' Choices of Organizations Best Able to Look after Their Interests

	Individual shippers	Canadian Shippers' Council	Individual freight forwarders	Government agency (like CTC)	Individual lines in conferences	Liner conferences themselves
	(Percentage of times organization ranked as 1st or 2nd choice)[a]					
All firms	32.1	23.3	19.3	13.5	8.0	3.8
Freight forwarders	28.6	19.0	33.3	7.1	9.5	2.4
All firms (except frt. fwdrs.)	32.4	23.7	18.0	14.0	7.9	3.9
By orientation of trade:						
Exporters (shippers)	34.2	29.1	16.9	11.9	6.8	1.1
Importers (consignees)	29.8	15.2	19.7	17.4	9.6	8.4
By volume of trade:						
Large	33.3	31.5	12.3	19.1	6.2	3.7
Small	32.0	19.4	21.1	14.6	8.8	4.1
By geographical distribution:						
Maritimes	37.5	25.0	10.0	12.5	7.5	7.5
Quebec	33.1	24.8	13.2	14.0	9.1	5.8
Ontario	31.4	24.2	21.1	14.8	6.3	2.2
Prairies	29.2	20.8	29.2	12.5	4.2	4.2
West Coast	33.3	18.8	16.7	12.5	14.6	4.2

[a]The number of 1st and 2nd rankings is comparable to voting. For example, of all the votes (or 1st and 2nd rankings) cast, 32.1% of survey respondents chose (or voted for) individual shippers, 23.3% chose the CSC, etc., as being best able to look after users' interests.

satisfy 75% of firms would be one in which users were generally left to their own devices, with possible recourse to the CSC and to individual freight forwarders.

The most prevalent view of users is that they should be free to look after their own interests with respect to liner conferences. This is borne out in Table 17, which indicates that 84% of shippers are dissatisfied with the status quo, and that the majority of those who are discontented would prefer to rely on the market mechanism alone.

The Case for Renewing the Shipping Conferences Exemption Act, or Preserving the Status Quo

The vast majority (84%) of users participating in the survey oppose retaining existing legislation on shipping conferences. That is not to say that the existing system is not fully satisfactory to at least some marine transportation users.

Nearly 16% of survey respondents (excluding forwarders) agree with the statement that "conferences and shippers need the protection of the current Shipping Conferences Exemption Act." These firms hold the view that the Act is effective in fulfilling the purposes for which it was intended and support the continuation of the status quo. No major differences seem to exist in the level of support for these views among surveyed firms in different categories, except that importers and smaller users are more likely to favour the status quo than are exporters and large shippers.

Firms which favour the renewal of the current Shipping Conferences Exemption Act document their support for conferences in terms such as those expressed by a small importer and a large shipper, respectively:

> Although liner conference rates are higher (than the independents' rates) the conferences provide regular, reliable schedules, excellent service, and stable rates, for which we are willing to pay a premium.

> The individual conference carriers have always looked after our interests with respect to the conferences, we therefore favour maintenance of the status quo.

A major Canadian resource shipper expresses the need to continue giving conferences the protection they seek in order to ensure the availability of shipping options:

> We would like to see the reliability of conference services maintained while maintaining flexibility to gain economies of scale when volume of shipment enables us to utilize full cargo vessels taken on the charter market.

Table 17

Preferred Alternatives for Governing Conference Behaviour

	Maintain status quo	Market forces (repeal Act)	Government regulation (by CTC)	Strengthened CSC	Other
All firms	15.8%	41.5%	21.1%	19.6%	1.8%
Freight forwarders	14.2	28.5	19.0	28.5	9.5
All firms (except frt. fwdrs.)	15.9	42.6	21.3	18.8	1.2
By orientation of trade:					
Exporters (shippers)	13.2	40.5	17.4	26.5	2.0
Importers (consignees)	19.8	45.5	26.7	7.9	--
By volume of trade:					
Large	12.6	40.2	17.2	28.7	1.1
Small	17.8	43.9	23.5	13.3	1.2
By geographical distribution:					
Maritimes	20.0	40.0	20.0	15.0	5.0
Quebec	14.4	39.1	24.6	21.7	--
Ontario	16.2	42.7	21.3	17.9	1.7
Prairies	7.6	76.9	—	15.3	--
West Coast	20.0	36.0	24.0	20.0	—

> We have an interest in seeing those conference services maintained upon which we are dependent for the servicing of our customers. We would identify ourselves with those who wish to maintain maximum negotiating strength with the conferences while recognizing their need for a reasonable return on their investment.

The Government Regulation Option

Approximately 21% of shippers and consignees believe that the activities of liner conferences should be regulated directly by the Canadian Transport Commission (CTC), with approval required for changes in rates, services, etc. Except that not one respondent from the Prairies favours government regulation of marine transportation, in all the other regions, between approximately 20% and 24% of firms believe that a government organization such as the CTC should control liner conference practices. This view is more likely to be held by consignees and small firms than by exporters and large firms. (Nineteen per cent of surveyed freight forwarders also subscribe to this opinion.)

Firms which support an expanded regulatory role for the CTC seem evenly divided as to whether this increased involvement should come about through a revised Act or its repeal.

Several small ocean transportation users share the view, as expressed by this small Ontario consignee, that the ability of small firms to export would be enhanced through a repeal of the Act and government regulation of all carriers:

> We believe that a government regulatory agency such as the Canadian Transport Commission would be best able to look after shippers' interests. Individual small shippers simply do not have enough strength. We could rely on freight forwarders, but because they work on a percentage commission, it is in their interest to have higher rates. The government should prohibit conferences and provide a competitive atmosphere with cheaper freight rates.

Other firms submit that the government should monitor the activities of conferences and ensure that consumers' interests are protected. This would be done within the context of a Shipping Conferences Exemption Act modified to allow government to have more control over the activities of the conferences. Specific suggestions concerning powers to be granted to the CTC through a revised Act are contained in the following statements by two large shippers from Ontario and the West Coast:

> The government should take steps to improve shippers' positions with all carriers — conference and non-conference alike. All rates should go to a central government body for approval. Such a body should also have a high profile in informing shippers of options.

> The government should have safeguards to ensure that the various ports are in fact served (that is, called at) by the different shipping lines and that schedules are maintained.

Apart from the question of what additional powers should be granted to the CTC regarding the future regulation of conference activities, less than a third of the firms participating in the survey are aware of the CTC's current powers. In addition to being responsible for the administration of the Shipping Conferences Exemption Act, the CTC, through regulation which may be made by the Governor in Council, may require the production by members of a shipping conference of such information as might be considered necessary to enable the Commission to effectively supervise the activities of a shipping conference or its members. Specifically, where the CSC has been unable to obtain information sufficient to the satisfactory conduct of a meeting with a conference, it has recourse to the powers of the CTC to obtain the required information. Up to the survey completion date, the CTC's powers under the Act had not been called upon to adjudicate problems that the CSC had been unable to resolve with conferences.

The nearly 80% of firms chich do not favour an expanded regulatory role for the CTC tend to oppose any form of government intervention in ocean shipping. Some firms are of the opinion that no matter what government does, it could never cause the conferences to compete: "If we don't let them combine here, they will just combine somewhere else; if the United States can't control them, neither can Canada." One freight forwarder comments: "The U.S. Federal Maritime Commission should be an example of what steamship lines and shippers alike do not need."

Other firms are concerned that government regulation and bureaucracy would result in higher costs for shippers and should therefore be avoided. A few firms would only support government regulation of ocean shipping if Canada had its own national flag deepsea merchant marine. Finally, the comments of a large Prairie shipper sum up the somewhat frequently expressed anti-interventionist views of a number of Canadian shippers.

> We are in favour of free enterprise and against cartels. Moreover, we are equally against government involvement in what could otherwise be a normal free enterprise market situation. There are some things that government has to be involved in; ocean shipping is just not one of them.

Perceived Need to Redress Bargaining Imbalances: Strengthening the Canadian Shippers' Council

Nearly 20% of surveyed firms express the opinion that in order to ensure adequate services to users, the bargaining position of the CSC relative to that of liner conferences should be strengthened. Twenty-nine per cent of freight forwarders (who, as a group, have no direct involvement with the CSC) feel that an increase in the CSC's powers is the best way to regulate conferences; only 19% of other firms hold the same view.

With respect to regional differences of opinion on this matter, Maritime (15%) and Prairie (15%) shippers are less likely to support the CSC as an effective protector of their interests with conferences than are firms in Quebec (22%), British Columbia (20%) and Ontario (18%). Exporters (27%) and large shippers (29%) support the CSC to a much greater extent than do importers (8%) and small users of marine transportation services (13%).

Most of the firms holding the view that the CSC should be strengthened maintain that conferences, despite their shortcomings, do provide an element of stability with respect to costs and services in liner shipping. Consequently, they favour the continued conditional exemption of conferences from anti-combines legislation. Two large Quebec shippers express their views as follows:

> We are against market control and monopolization. We stand for free enterprise and competition but not the complete removal of conferences. The conferences help bring about some stability and by using both conference and non-conference carriers we achieve market equilibrium.

> The Government of Canada should legislate more power to the CSC. Policies should be developed where conferences have to work in good faith with Canadian shippers. Furthermore, conferences should have to provide the CSC with information, and if necessary, be subject to review by the Canadian Transport Commission. At the same time, we do not believe in the repeal of the Act; the government should do whatever needs to be done to ensure that conferences exist and that there is a balance.

Users differ somewhat in their opinions as to what degree the powers of the CSC should be increased.

> A body such as the Canadian Shippers' Council should be legally empowered to be in charge of shippers' interests. Conferences should then be subject to their regulations. (large Quebec shipper)

> Our firm has always dealt with conferences directly, but the Canadian Shippers' Council should have all the strength it needs to help the shippers. However, we would not like to see the Canadian Shippers' Council as extremely powerful as the Australian Shippers Council. (large West Coast shipper)

Most shippers feel that the Shipping Conferences Exemption Act should simply be strengthened to allow the CSC to be effective in its currently assigned role:

> Section 15 of the Shipping Conferences Exemption Act lacks the explicit wording to clearly define "information sufficient for the satisfactory conduct of the meeting." Conferences interpret this section with a response which the Canadian Shippers' Council deems inadequate, creating a situation that requires time and money to settle. If the Canadian Shippers' Council are to act as representatives for the Minister of Transport and for shippers, they (or for that matter, any other designated group) will require the assistance of a more definite and stronger Section 15 than that which exists. (small Ontario shipper)

Or, more simply:

> The SCEA should be changed to provide that in a consultation session between a conference and the CSC, the conference must justify its position with verifiable data. (large Ontario shipper)

Other firms believe that the powers of the CSC should be much broader:

> The government should pass legislation which requires conferences to justify their rate increases to the Canadian Shippers' Council. The CSC should also have the power to adjust rate changes. (small West Coast shipper)

> Conferences should be done away with and the Canadian Shippers' Council should then be empowered to negotiate with all the carriers as independent shipping organizations. (small Ontario shipper)

Apart from the questions of what additional powers or strength should be given to the CSC, survey respondents were also asked the comment on the extent to which they make use of the Council to help resolve problems with conferences. Six per cent of shippers state they have called upon their industry association to make a collective presentation to the CSC in this regard. Notably, large shippers (12%) are much more likely to have made use of the Council than small shippers (2%). The problems most frequently addressed to the CSC by such firms through

their industry associations are matters related to bunker and currency adjustment factors, and general rate increases.

One large shipper comments on why relatively little use is made of the CSC:

> Over the years our firm has improved its negotiating procedures so that it has been able to have satisfactory dealings with the liner conferences. Our position has also been helped by the fact that the majority of firms in this particular industry join together to present a common front to the conferences, thereby effectively controlling them. Many shippers could solve their problems if they took the time to actually talk with conferences and member lines. The Canadian Shippers' Council should be no more than an advisory watch-dog to alert the government to what may appear to be questionable activities on the part of conferences. However, the Canadian Shippers' Council seems to get most of the issues confused. Also, the CSC has no teeth because it has no freight to award or withhold so it really has no power to negotiate for shippers.

Many firms use their industry associations to make direct joint presentations to conferences rather than going through the CSC. Furthermore, several traffic managers mention that while they participate in the CSC for corporate citizenship purposes and to assist other shippers, they look after their own firms' problems with conferences directly. That few firms use the CSC implies either that they are doing well enough in their dealings with conferences not to require its assistance, or that much of Canadian industry is not really aware of the role, or perhaps existence, of the Council. Alternatively, it is possible that firms are satisfied by their industry association's membership in the CSC, and therefore do not need to make specific representations through their associations. Table 18 shows participants' awareness of the CSC's mandate.

Canadian shippers, consignees and freight forwarders were asked to comment on whether or not the existence of the CSC has enabled them to obtain satisfactory cooperation from conferences and thus allowed them to conduct negotiations more effectively.

It is difficult to conclude from Table 19 as to which region of the country or segment of the shipping public has benefitted most (or least) from the existence of the CSC. However, it seems that the CSC is virtually unknown on the Prairies and little known in the Maritimes and to importers and small users. Rather, the conclusion to be drawn seems to be that the Council is known to only a minor portion of the Canadian shipping community, such portion being split in a way that the majority is unconvinced of the CSC's effectiveness.

Table 18

Shipper Awareness of the Mandate of the Canadian Shippers' Council

	% of firms aware of CSC mandate
All firms	35.8
Freight forwarders	54.5
All firms (except frt. fwdrs.)	34.2
By orientation of trade:	
Exporters (shippers)	42.5
Importers (consignees)	22.1
By volume of trade:	
Large	53.3
Small	23.6
By geographical distribution:	
Maritimes	26.1
Quebec	27.8
Ontario	37.7
Prairies	38.5
West Coast	40.7

Over 40% of firms responding to the survey feel that the bargaining power of the CSC in dealings with conferences should be strengthened. The major departures on the down side from this ratio are for Maritime shippers (19%), who tend to place their confidence and trust in the Atlantic Provinces Transportation Commission, and for importers (27%). Some firms feel that the CSC should not be strengthened because they perceive a tendency on the part of the Council to become dominated by special interest groups (or industry groups), particularly in the West Coast region.

Prairie firms most strongly support the strengthening of the CSC. This option is also more likely to be strongly favoured by exporters (51%) and large shippers (51%) than by importers (27%) and small users (35%). Approximately 55% of firms which feel that the CSC should be strengthened suggest that this be done by enacting stronger legislation requiring conferences to provide detailed information to the CSC in support of any rate increase. About 25% of firms would consider it

Table 19

Users Rate the Effectiveness of the Canadian Shippers' Council

	Positive	No opinion	Negative
All firms	14.3%	62.8%	22.9%
Freight forwarders	27.3	40.9	31.8
All firms (except frt. fwdrs.)	13.3	64.6	22.1
By orientation of trade:			
Exporters (shippers)	16.5	58.9	24.7
Importers (consignees)	8.8	72.6	18.6
By volume of trade:			
Large	18.9	51.6	29.5
Small	10.2	71.6	18.2
By geographical distribution:			
Maritimes	12.5	70.8	16.7
Quebec	10.4	66.2	23.4
Ontario	16.2	59.2	24.6
Prairies	7.7	92.3	--
West Coast	11.1	66.7	22.2

appropriate to establish detailed conciliation procedures for the mediation of rate disputes between shippers and conferences by the CSC. Only 17% of surveyed firms support the idea of providing the CSC with adequate funding for staff and regional representation.

It should be noted that of those firms which feel that their interests can be best looked after through the CSC, a number of them only support the CSC as a second-best alternative. Their first choice is to repeal the Shipping Conferences Exemption Act and to allow market forces to govern liner shipping. Typically, such firms are very large shippers who wield significant market power over the conferences rather than the more usual reverse case. These shippers are of the opinion that if conferences are allowed the luxury of exemption from Canadian competition laws, they should be accountable to a watch-dog such as the CSC.

Market Forces: Repealing the Shipping Conferences Exemption Act

Survey participants' most commonly chosen approach to dealing with conferences is to repeal the Shipping Conferences Exemption Act and make liner conferences subject to the Combines Investigation Act. This alternative is favoured by 42% of all firms surveyed, 43% of shippers and consignees but by only 29% of freight forwarders. Firms in the various regions of Canada do not depart dramatically from this level of support except in the Prairies, where over 75% of shippers and consignees would like to see the Act repealed and to "make ocean transportation wide open to competition." The degree of support for repealing the Act does not vary much among exporters, importers, and small and large firms. However, importers (46%) and small shippers (44%) are more likely to favour a repeal of the Act than are exporters (41%) and large users (40%).

The following are samples of some of the remarks made by shippers with respect to repealing the Shipping Conferences Exemption Act and making conferences subject to Canadian competition laws:

> Not only do conferences limit the participation of outsiders in marine transportation but they also act to restrict the export activities of the customers they are supposed to serve. They tend to hold artificially high prices and monopolize service lanes. Fundamental laws such as the anti-combines act should govern all companies. (large Ontario shipper)

> We believe in free enterprise. We want the right to have free and open market competition. We do not wish for shippers to collude nor for conferences to collude, we just expect fair situations and free competition. (large Quebec shipper)

> We like conferences, but want marine shipping to be kept open in order to keep the conferences honest. We do not want to be in a take it or leave it position. (large West Coast shipper)

A large number of firms such as this large Ontario consignee and large Prairie shipper express their support for repealing the Shipping Conferences Exemption Act in somewhat stronger terms:

> In our business we are prohibited in any way, shape or form from such monopolistic practices as are permitted to the ocean liner conferences. We therefore see no reason for them to have such a luxury.

> Cartels are formed for the sole purpose of making a lot of money. The Shipping Conferences Exemption Act is the conferences' permit from government to screw shippers.

A number of firms such as this small Ontario consignee and large Quebec shipper direct their comments to the limited benefit that Canadian shippers have realized as a result of shipping conferences being exempted from the Combines Investigation Act:

> We have limited traffic to the European Continent but certainly object to being subjected to a shipping cartel controlling freight rates. Furthermore, we would submit that any self-interest group controlling shipping rates absolutely does not serve the Canadian shipper, nor in fact, the growth of Canadian industry.
>
> We must also keep in mind that we are trying to control the activity of foreign shipowners who don't even pay Canadian taxes. The Government of Canada really should pay more attention to the Canadian companies who ship, employ people, pay taxes, than to the foreign companies which contribute nothing. Conferences should have to abide by rules established by Canadians in Canada.

Other Views

For a small portion of shippers (2%), the options of preserving the status quo, repealing the Act or giving special regulatory powers to the CTC or the CSC are all unsuitable. Rather, these firms favour revising and strengthening the Shipping Conferences Exemption Act with some specific provisions:

> The Shipping Conferences Exemption Act should remain, but with provisions for strengthening the position of the Canadian Shippers' Council, reducing patronage contracts to 75 per cent, and, providing for individual carriers within the conference to have the right of independent action. (small Ontario shipper)
>
> The Shipping Conferences Exemption Act should be repealed or alternatively more information should be required of carriers and conferences in justification of rate increases. When freight costs increase a few cents, we sometimes pull out of certain markets and sell to other markets. We sell our products wherever we get the best return. However, when we have tried to ship to new markets, we found a great lack of published rate information. We would like to have better access to such information. (small West Coast shipper)

One final concept to be introduced in this report -- the right of independent action -- is put forward by proponents of all variants of regulatory approaches to ocean shipping throughout Canada and is predicated on the continued existence of liner conferences and some form of legislation pertaining thereto.

We are in favour of individual members of conferences being able to take independent action on rate matters. There are times when you are trying to get a rate and carriers in the conference will vote against you getting a rate to a specific port that they don't even serve.

We would also like to have the right of independent action whereby, if only one carrier in the conference wanted to give us a lower rate, he could do so (and of course the other carriers could go on charging the higher rate if they so wished).

We would like the government to include a provision in the law for the right of independent action so that in the final analysis, a carrier and a shipper can arrive at independent arrangements.

Conclusions

These survey findings represent the views of over three hundred executives responsible for organizing their firms' use of ocean transportation services. The firms are located in every region of Canada and represent a meaningful cross section of Canadian industries participating in overseas trade. All sizes of shippers, ranging from those with limited involvement in international trade to those whose businesses have a predominant focus on foreign trade, participated in the survey. Goods shipped/received ranged from high-value, high-technology manufactured goods to low-value, near-bulk, primary resource-related goods.

While it is not feasible to determine scientifically the statistical representativeness of the survey's coverage, the survey does embrace a broad cross section of shipper opinion and reflects an unusually high response rate of 55%. More plainly stated, a broad cross section of well-qualified individuals involved in many trades took the time to offer their views on what they clearly considered to be important issues.

Although survey participants represent disparate regions of Canada and a variety of industries, in many instances they hold similar views. It is clear from shippers' views that existing arrangements exempting liner conferences from the Combines Investigation Act are not satisfactory to nearly 85% of Canadian exporters, importers and freight forwarders. Generally speaking, most shippers would favour a situation where ocean carriers are subject to the same basic business rules as they are.

While many participating firms do hold the quality of the conference carriers' services in high regard, they are less enamoured with a number of the practices of the conferences themselves. For example,

shippers generally have not been able to negotiate loyalty (patronage) contracts which they consider to be fair and reasonable, and which require a commitment of less than their total cargo on routes served by a conference.

The practice of imposing surcharges after a formal contract has been signed, the unilateral manner in which they are imposed, the unknown basis on which they are derived and their levels are considered to be completely arbitrary and draw strong criticism from shippers. It is not only the matter of paying more than the contract called for that annoys shippers, but also the fact that conferences are free to levy surcharges in any manner they see fit, while shippers must abide by the commitment to ship all their freight with a particular conference over the life of the contract.

Most Canadian shippers and forwarders hold the view that ocean rates should be lower for freight originating from or arriving in the Maritimes than for freight originating from or arriving in Central Canada. Few shippers have specific complaints about the joint conferences they have dealt with; however, most believe that members of a joint conference not serving Canadian ports should be prohibited from voting on matters relevant to Canadian traffic. Finally, the consultation process between shippers and conferences has delivered reasonably satisfactory results to a majority of firms that have used it. Most shippers, however, do not consult (or have ceased to consult) with conferences because they consider such intercourse to be futile.

Regarding changes to improve the system, the most common view expressed by over 40% of surveyed firms is that the marketplace is the best regulator of ocean transportation. Firms espousing this view favour an outright repeal of the Shipping Conferences Exemption Act. Another 40% of survey respondents feel that revisions in the legislation are required to provide effective control of conferences. Half of these firms (20%) believe that a government regulatory agency would be best able to look after shippers' interests. Remaining firms (20%) that favour the strengthening of legislation suggest the CSC as the most effective vehicle for such regulation. However, surveyed shippers report that the CSC has achieved only partial success to date in making its presence known or its usefulness felt by the majority of Canadian firms participating in international trade. Finally, 15% of firms participating in the survey are satisfied with current arrangements and feel that they should be continued.

Appendix A

SURVEY METHODOLOGY

Appendix A

SURVEY METHODOLOGY

Introduction

The purpose of this survey is to present the opinions of Canadian users of liner shipping. Questions were posed to elicit users' views on: (a) the nature of the problems they face, (b) the extent to which such problems relate to the behaviour of liner conferences, and (c) the contribution, if any, of existing legislation to the existence or resolution of these problems.

Due to the large number of issues and the wide scope of opinion involved on the subject of liner conferences, it was determined that meaningful information from the users of conference services would best be obtained through the use of a formal, structured questionnaire. For the purpose of refining the topics to be addressed in the questionnaire, consultations were held with selected interested shippers, shippers' associations, freight forwarders and members of the Interdepartmental Committee on the Shipping Conferences Exemption Act. Research work relating to the 1979 review of the Act and more current publications were also reviewed. This consultation and research process importantly shaped the substance of the questionnaire.

Design Elements and the Selection of Survey Participants

In consideration of the various issues identified, and associated time and budget constraints, the survey was administered as follows:

1. One hundred detailed in-person interviews with large and small shippers and consignees were conducted in selected centres in Canada.

2. Five hundred less-detailed questionnaires were administered by mail to large and small shippers and consignees across Canada.

3. Ten detailed in-person interviews were conducted with large freight forwarders using a questionnaire similar to the shippers' questionnaire (as in (1) above) but taking into account freight forwarders' dual role as users of conference services and as agents for the use of such services on behalf of shippers and consignees.

4. Twenty-five less-detailed mail questionnaires were sent to other randomly selected freight forwarders.

For financial and logistical reasons, it was determined that the in-person interviews should be conducted in five major centres. The first three centres chosen were Toronto, Montreal and Vancouver, which in addition to being Canada's largest population centres are also major port cities. To represent the views of Prairie shippers, the city of Winnipeg was also chosen as a centre for in-person interviews due to the presente of significant exports of manufactured and agricultural products and the location of a major inland container terminal there.[1] Because of the widespread and scattered location of shippers in the Maritime provinces, it was determined that adequate coverage could only be given to that region by conducting interviews in both Halifax, Nova Scotia, and Saint John, New Brunswick, as well as at several points located on a circuitous automobile route between these two major port cities.

Concerning the identification of potential survey participants, the most suitable and comprehensive "list of shippers" was obtained through an amalgamation of the customer lists of the directors of marketing at several major Canadian ports.[2] The lists provided by these sources were reviewed for duplication. As well, parties for whom the present survey would undoubtedly be out of scope (such as persons shipping or receiving household goods/personal effects) were removed from the lists. From these lists, well over 630 firms thought to be actively engaged in international trade using liner shipping were identified and segregated according to the following five regions:

(a) the Maritimes,
(b) Quebec,
(c) Ontario,
(d) the Prairies, and
(e) the West Coast.

Based on the apparent relative importance of these five regions in the context of importing and exporting activity and on the relative frequency of appearance of firms from the amalgamated shippers' list, numbers of firms to be interviewed in person were determined as follows:

Toronto	34
Montreal	22
Vancouver	20
Halifax/Saint John	12
Winnipeg	12
Total	100 shippers and consignees

1. Canadian Institute of Traffic and Transportation, Canadian Traffic and Transportation, vol. II, 5th ed. (Toronto, 1979), p. 295.

2. The identity of these ports is not revealed herein for reasons of confidentiality.

Similarly, a criterion for the selection of the ten freight forwarders to be interviewed in person was that they be located in the above major centres.

In the preparation of the amalgamated shippers' list, or selection frame, wherever possible and discernible, branch offices of major firms were removed. Due to the preponderance of head offices in Ontario (notably Toronto), the amalgamated shippers' list did not contain what one would consider an overabundance of firms in the Quebec, Maritime, Prairie and West Coast regions (especially the last three). Consequently, for selection purposes, all firms appearing on the port-customers-derived shippers' lists as being located elsewhere than Ontario were considered as eligible for being interviewed in person or for receiving a mail questionnaire. Firms to be included in the Ontario selections (in-person and mail) were limited to a maximum of the remaining number of firms, as shown in Table A.1.

Table A.1

Number of Firms Selected to Participate in Survey

Region	No. of firms identified	No. of firms selected		
		In-person	Mail	Total
Maritimes	32	12	20	32
Quebec	197	22	175	197
Prairies	20	12	8	20
West Coast	32	20	12	32
Ontario	365	34	285	319
Total	646	100	500	600

The determination of whether a firm in a given region would be interviewed in person (as opposed to being sent a mail questionnaire) was made by randomly selecting (using random number tables) the region's desired number of firms located in the major centres as discussed earlier. Firms located in those centres but not selected for in-person interviews became automatically eligible to receive a mail questionnaire. In the case of Ontario firms, once the 34 Toronto firms to be interviewed in person were selected, the remaining Toronto firms were placed onto the list of other firms in Ontario for ramdom selection to receive mail questionnaires.

The port-customer lists also assisted in the selection of freight forwarders to be included in the survey. Moreover, because of the importance of interviewing some of the largest freight forwarders, it was necessary to rely on the experience of knowledgeable parties to identify the 5 largest freight forwarders in Canada. These 5 were selected for in-person interviews with 100% probability. The remaining 5 freight forwarders to be interviewed in person were selected at ramdom, as were the 20 freight forwarders chosen to receive mail questionnaire.

Prospective respondents were advised that the survey was being conducted on behalf of the federal government in order to solicit their views and experience relating to ocean liner conferences and, specifically, the Shipping Conferences Exemption Act. Firms were further advised that their participation in the survey was voluntary and that the information they provide would be treated confidentially and not be reported in any way that might identify any individual firm. Because the survey pertained only to firms' international freight which moved (or could move) in deepsea ships, respondents were asked not to include any traffic shipped or received from the continental United States. Bulk and tanker commodity traffic were also excluded. In the discussion of their imports, firms were asked not to include any imported goods bought in Canada from subsidiaries, affiliates or other Canadian companies. Likewise for exports, goods sold by firms to Canadian wholesalers/distributors which would in turn be exported by them were to be excluded.

Specific individuals interviewed or invited to complete a mail questionnaire were those persons "responsible for handling ocean freight matters" in each firm. Such individuals most often ranged from "traffic manager" to "Vice-President -- Physical Distribution Services" in larger firms and tended to be "Presidents" in the case of smaller firms and freight forwarders. In the personal interviews, usually a single individual was able to answer most of the questions. Where firms were involved in both importing and exporting, however, the general rule was that the questionnaire would be completed by the two persons in charge of those respective functions.

The in-person interviews were carried out between May 25 and July 15, 1982. Mail questionnaires were sent out in the month of June and responses received during July and August. A reminder notice urging firms to complete the questionnaire, if they had not already done so, was sent to selected participants in August. Analysis undertaken to compare the results of in-person interviews with mail questionnaire responses indicates that no apparent biases exist between the two sets of responses.

Response to the Survey and Presentation of Results

Participants reacted favourably to the opportunity to express their views on this timely topic. Out of 110 firms selected for in-person interviews, 101 firms granted interviews, and of the 525 firms selected to receive mail questionnaires, 202 firms returned completed forms.

As is the case in any large-scale survey, even the most diligent preexamination of potential survey respondents' qualifications for participating in the survey does not preclude the erroneous administration of the questionnaire to selected participants for whom the survey is out of scope.

The exclusion of such out-of-scope survey participants allows for the calculation of what might be considered an effective response rate. For example, of the ten freight forwarders selected for in-person interviews, nine firms granted meetings to the interviewers, while the tenth, which had no involvement in overseas transportation, considered that its opinions would be irrelevant to the survey's goals. Therefore, because all of the nine relevant freight forwarders responded positively to the invitation to participate in the survey, it might be said that a 100% effective response rate was achieved for this survey stratum. The overall effective response rate for the mail survey was 45%. Table A.2 shows the actual and effective response rates for the sample of firms selected to participate in the survey.

Throughout the report, survey responses have been grouped in different categories, or strata, for analysis. The principal strata have to do with the regional location of firms, whether the firms are large or small shippers and whether the firms are primarily importers or exporters. In many instances, details on the opinions of firms in these categories are discussed wherever they lend additional insights into the issues explored.

Difficulties were experienced in identifying an exact population of all Canadian firms involved in overseas trade. Therefore, it must be borne in mind that there is no feasible way to establish the precise representativeness of the surveyed firms. Nor is there a statistically acceptable way of identifying a cutoff point beyond which small differences of opinion can be disregarded. Every effort has been made to present the data in an objective manner which, with these caveats in mind, allows readers to exercise their own judgement on the issues discussed in the report.

Table A.2

Survey Response Rates

Region (or division)	No. of firms selected		No. of firms out of scope[a]		No. of firms in scope		No. of responses		Effective response rate	
	In-person	Mail	In-person	Mail	In-person	Mail	In-person	Mail	In-person	Mail
Maritimes	12	20	—	3	12	17	11	13	91.7%	76.4%
Quebec	22	175	2	17	20	158	20	60	100.0	38.0
Ontario	34	285	2	46	32	239	31	106	96.9	44.4
Prairies	12	8	2	3	10	5	10	3	100.0	60.0
West Coast	20	12	—	1	20	11	20	8	100.0	72.7
Freight forwarders	10	25	1	1	9	23	9	12	100.0	52.2
Overall total	110	525	7	71	103	453	101	202	98.1%	44.6%
Overall response: mail plus in-person										54.5%

[a]Firms were determined to be out of scope only on the advice of the individual firms in question. An estimate of the number of out-of-scope firms is made based on the proportion of such firms within those which made contact with the consulting team.

Appendix B

OVERSEAS TRADE VOLUMES OF CANADIAN SHIPPERS AND FREIGHT FORWARDERS

Appendix B

OVERSEAS TRADE VOLUMES OF CANADIAN SHIPPERS AND FREIGHT FORWARDERS

The Magnitude of Canadian Firms' Offshore Importing and Exporting Activities

The detailed information provided in this appendix is intended to help quantify, and therefore qualify, the magnitude of Canadian importers', exporters' and forwarders' involvement in the various overseas trades.

To arrive at the shipping volumes shown in Table B.1, firms' imports and exports are added together. In order to further analyze the import and export volumes in terms of commodities, ports and trading partners, mean values have been assigned to the metric tonnage ranges identified in the questionnaire. For example, a firm exporting between 100 t and 200 t is assumed to be exporting exactly 150 t. Using this technique, the relative importance of surveyed firms' overseas exports and imports to their total sales and purchases have been determined (see Table B.3).

Tables describing survey results in this appendix, as throughout the report, are presented in terms of 12 different strata.[1] Five of these are regional strata defined in accordance with the geographic location of survey respondents, namely, the Maritimes, Quebec, Ontario, the Prairies and the West Coast. Firms are also categorized as being either large or small shippers, and as exporters (shippers) or importers (consignees). Whether a shipper is classified as being large or small depends on whether that shipper imports or exports more (large) or less (small) than 10 000 t. This is a definition made in consideration of survey respondents' own perceptions concerning size and corresponding bargaining power. For simplicity, a firm is considered to be an exporter if its exports are greater than or equal to its imports; conversely, an importer is defined as a firm which imports more than it exports.

Note that the "All firms (except freight forwarders)" totals vary slightly from table to table due to occasional nonresponses to certain questions. Also, in the interest of confidentiality, detailed breakdown of movements less than 100 000 t are not provided.

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1. Ten completed questionnaires which did not arrive in time to be incorporated into the computer analysis of survey results are not included in these figures. Freight forwarders' volumes are considered separately.

Principal Commodities Shipped and Received

Table B.4 shows the tonnage and relative importance of commodities exported and imported by surveyed shippers in 1981. Table B.5 deals with the most substantially traded goods for the various categories of firms surveyed.

The figures in Table B.4 provide a minimum estimate of goods shipped and received. For example, if a shipper reports exports of over 50 000 t, it is conceivable that the shipper may be shipping 500 000 t; however, the mean value assigned to that shipper for the purpose of carrying out the various calculations herein only considers said shipper to be shipping 75 000 t. Thus, if anything, the estimates of various tonnages in this report are likely to be somewhat understated, especially for large shippers.

The Roles of the Various Ports

Table B.6 examines import and export tonnages moved through the various ports by all surveyed shippers and consignees, while the role of the ports in handling principal commodities is the subject of Table B.8. Data on the use of various ports by the different categories of firms are provided in Table B.7. Detailed information on the use of a particular port is only reported where a total movement of 100 000 t or more exists, in order to preserve the confidentiality of survey responses. Furthermore, several smaller ports used only by a very few major shippers have been amalgamated into such categories as "Other Maritime ports," "Other Central Canada ports," etc. Traffic for which shippers did not report the names of the ports used, or where total tonnages are less than 100 000 t, is placed in the category of "Other ports" for reasons of confidentiality. Information provided does not include freight forwarders' responses, which are reported below.

The Relative Importance of Canada's Trading Partners

Tables B.9 and B.11, respectively, present volumes and commodities shipped to Canada's trading partners. World trade zones are defined in Figure B.1. Disaggregated information on regions and on other categories of shippers is provided in Table B.10.

Detailed commodity trading information for the remaining world trade zones is not presented in order to preserve the confidentiality of survey responses.

Freight Forwarders' International Shipping Volumes

Twenty-one freight forwarders participated in the survey. The size distribution of these firms is as follows:

Tonnage handled	No. and % of firms	
1 001- 2 000	1	4.8%
2 001- 10 000	2	9.5
10 001- 20 000	1	4.8
20 001- 50 000	5	23.8
50 001-100 000	2	9.5
100 000+	10	47.6
Total	21	100.0%

Shipping volumes reported by forwarders include only that freight over which the forwarders have complete control; that is, freight for which the forwarder only acts as an agent and/or simply completes paper work is not included. The ten freight forwarders shipping over 100 000 t are among the largest in Canada. Figures on just how much over 100 000 t is shipped by these firms are not available.

As in the case with shippers, mean values were assigned to the above-rated tonnage ranges in order to arrive at properly weighted distributions of traffic handled by freight forwarders. Tables B.12 and B.13, respectively, show the distribution of freight forwarders' traffic through North American ports, and shipments and consignments to and from the various world trade zones.

WORLD TRADE ZONES

1 British Isles
2 Caribbean
3 Central America
4 East Africa
5 East Indies
6 Europe
7 Indian Sub-Continent
8 Mediterranean
9 Middle East
10 North-East Asia
11 South Africa
12 South America – Atlantic
13 South America – Pacific
14 South-East Asia
15 South-West Pacific
16 West Africa

Scale at Equator 1:75,000,000

500 0 1,000 2,000 Miles
500 0 1,000 2,000 3,000 Kms

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Table B.1

International Marine Traffic Volumes of Surveyed Firms[a]
(total import plus export tonnages)

	Number of firms in each tonnage category								
	0-200	201-1 000	1 001-2 000	2 001-10 000	10 001-20 000	20 001-50 000	50 001-100 000	100 001+	Total number
All firms (except frt. fwdrs.)	34	63	6	73	33	14	41	8	272
By orientation of trade:									
Exporters (shippers)	25	27	5	39	15	10	30	8	159
Importers (consignees)	9	36	1	34	18	4	11	--	113
By volume of trade:									
Large	--	--	--	--	33	14	41	8	96
Small	34	63	6	73	--	--	--	--	176
By geographical distribution:									
Maritimes	--	3	2	8	6	--	5	--	24
Quebec	9	16	--	24	7	3	15	3	77
Ontario	20	32	4	35	14	7	13	5	130
Prairies	2	6	--	1	2	1	1	--	13
West Coast	3	6	--	5	4	3	7	--	28

[a]Freight forwarders, and ten completed shippers' questionnaires which did not arrive in time to be incorporated into the computer analysis of survey results, are not included in these figures.

Table B.2

International Marine Traffic Volumes of Surveyed Firms
(except freight forwarders)

	Relative frequency (%) of firms in each tonnage category							
	0-200	201-1 000	1 001-2 000	2 001-10 000	10 001-20 000	20 001-50 000	50 001-100 000	100 001+
All firms (except frt. fwdrs.)	12.5	23.2	2.2	26.8	12.1	5.1	15.1	2.9
By orientation of trade:								
Exporters (shippers)	15.7	17.0	3.1	24.5	9.4	6.3	18.9	5.0
Importers (consignees)	8.0	31.9	0.9	30.1	15.9	3.5	9.7	--
By volume of trade:								
Large	--	--	--	--	34.4	14.6	42.7	8.3
Small	19.3	35.8	3.4	41.5	--	--	--	--
By geographical distribution:								
Maritimes	--	12.5	8.3	33.3	25.0	--	20.8	--
Quebec	11.7	20.8	--	31.2	9.1	3.9	19.5	3.9
Ontario	15.4	24.6	3.1	26.9	10.8	5.4	10.0	3.8
Prairies	15.4	46.2	--	7.7	15.4	7.7	7.7	--
West Coast	15.4	21.4	--	17.9	14.3	10.7	25.0	--

Table B.3

Relative Importance of Exports and Imports to Firms' Overall Activities

	Export tonnage (000 t)	Average exports as a % of total sales	Import tonnage (000 t)	Average imports as a % of total purchases
All firms (except frt. fwdrs.)	3 560	14.1	2 018	7.3
By orientation of trade:				
Exporters (shippers)	3 518	15.8	686	4.1
Importers (consignees)	43	1.4	1 332	12.1
By volume of trade:				
Large	3 372	15.4	1 830	7.2
Small	188	5.4	188	8.7
By geographical distribution:				
Maritimes	452	22.3	72	12.9
Quebec	1 180	19.6	811	18.0
Ontario	1 394	10.0	821	5.3
Prairies	77	3.7	77	24.0
West Coast	458	36.7	238	3.5

Table B.4

Principal Commodities Exported and Imported by Surveyed Firms
(except freight forwarders)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
1 098	600	16.9	Food products	498	23.9
1 082	1 004	28.2	Pulp, paper and allied forest products	78	3.7
668	329	9.2	Primary metals	339	16.3
538	385	10.8	Mining products	153	7.3
489	374	10.5	Agricultural products	115	5.5
463	251	7.1	Machinery	212	10.2
243	1	0.0	Beverage products	242	11.6
224	113	3.2	Chemicals and chemical products	111	5.3
194	151	4.2	Miscellaneous manufactured goods	43	2.1
126	89	2.5	Transportation equipment	37	1.8
116	41	1.2	Leather and allied products	75	3.6
106	94	2.6	Electrical and electronic products	12	0.6
104	6	0.2	Wholesale trade (other than food)	98	4.7
193	122	3.4	Other commodities	71	3.4
5 644	3 560	100.0	Total	2 084	100.0

Table B.5

Principal Commodities Exported and Imported by Different Categories of Surveyed Firms

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			a. Large users		
1 050	975	29.0%	Pulp, paper and allied forest products	75	3.9%
1 024	563	16.7	Food products	461	24.2
639	318	9.5	Primary metals	321	16.9
528	378	11.2	Mining products	150	7.9
463	370	11.0	Agricultural products	93	4.9
442	243	7.2	Machinery	199	10.4
225	--	--	Beverage products	225	11.8
185	150	4.5	Miscellaneous manufactured goods	35	1.8
178	93	2.8	Chemicals and chemical products	85	4.5
113	38	1.1	Leather and allied products	75	3.9
111	76	2.3	Transportation equipment	35	1.8
101	93	2.8	Electrical and electronic products	8	0.4
211	68	2.0	Other commodities	143	7.5
5 270	3 365	100.0%*	Total	1 905	100.0%*
			b. Small users		
375	196	100.0%	Total commodities	179	100.0%

Table B.5 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			c. Exporters (shippers)		
1 082	1 004	28.5%	Pulp, paper and allied forest products	78	11.3%
623	571	16.2	Food products	52	7.5
532	382	10.9	Mining products	150	21.8
450	374	10.6	Agricultural products	76	11.0
430	329	9.4	Primary metals	101	14.7
413	251	7.1	Machinery	162	23.5
169	151	4.3	Miscellaneous manufactured goods	18	2.6
144	111	3.2	Chemicals and chemical products	33	4.8
102	94	2.7	Electrical and electronic products	8	1.2
262	251	7.1	Other commodities	11	1.6
4 207	3 518	100.0%	Total	689	100.0%
			d. Importers (consignees)		
475	29	67.4%	Food products	446	32.0%
242	—	—	Beverage products	242	17.3
238	—	—	Primary metals	238	17.1
104	6	14.0	Wholesale trade	98	7.0
379	8	18.6	Other commodities	371	26.6
1 438	43	100.0%	Total	1 395	100.0%

Table B.5 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			e. Maritime users		
233	212	46.9%	Food products	21	29.2%
225	225	49.8	Pulp, paper and allied forest products	--	--
66	15	3.3	Other commodities	51	70.8
524	452	100.0%	Total	72	100.0%
			f. Quebec users		
528	450	38.4%	Pulp, paper and allied forest products	78	9.7%
435	185	15.8	Food products	250	31.1
288	116	9.9	Primary metals	172	21.4
189	75	6.4	Agricultural products	114	14.2
150	150	12.8	Mining products	--	--
100	75	6.4	Miscellaneous manufacturing goods	25	3.1
285	121	10.3	Other commodities	164	20.4
1 975	1 172	100.0%	Total	803	100.0%*

Table B.5 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			g. Ontario users		
425	247	17.6%	Machinery	178	19.9%
379	226	16.1	Mining products	153	17.1
358	167	11.9	Food products	191	21.4
230	138	9.9	Primary metals	92	10.3
129	111	7.9	Chemicals and chemical products	18	2.0
121	85	6.1	Transportation equipment	36	4.0
111	110	7.9	Agricultural products	1	0.1
104	104	7.4	Pulp, paper and allied forest products	--	--
437	213	15.2	Other commodities	224	25.1
2 294	1 401	100.0%	Total	893	100.0%*
			h. Prairies users		
154	77	100.0%	Total commodities	77	100.0%

Table B.5 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			1. West Coast users		
225	225	49.1	Pulp, paper and allied forest products	--	--
150	75	16.4	Primary metals	75	31.1
113	113	24.7	Food products	--	--
99	3	0.7	Wholesale trade (other than food)	96	39.8
112	42	9.2	Other commodities	70	29.0
699	458	100.0%*	Total	241	100.0%*

*Individual percentages may not total 100%, due to rounding.

Table B.6

Volumes Shipped through Ports -- All Firms
(except freight forwarders)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Port	Import tonnage (000 t)	% of total imports
1 838	904	25.8%	Montreal	934	44.6%
658	445	12.7	Vancouver	213	10.2
644	547	15.6	Saint John, N.B.	97	4.6
625	443	12.6	Halifax	182	8.7
338	328	9.3	Other Central Canada ports	10	0.5
269	207	5.9	Other Maritime ports	62	3.0
228	169	4.8	Other West Coast ports	59	2.8
227	138	3.9	New York	89	4.2
149	70	2.0	Toronto	79	3.8
125	77	2.2	Other U.S. East Coast ports	48	2.3
109	22	0.6	Seattle	87	4.2
396	160	4.6	Other ports	236	11.3
5 606	3 510	100.0%	Total	2 096	100.0%*

*Individual percentages may not total 100%, due to rounding.

Table B.7

Volumes Shipped through Ports

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Port	Import tonnage (000 t)	% of total imports
			a. Large users		
1 686	828	24.9%	Montreal	858	45.0%
618	425	12.8	Vancouver	193	10.1
611	527	15.9	Saint John, N.B.	84	4.4
567	413	12.4	Halifax	154	8.1
319	318	9.6	Other Central Canada ports	1	0.1
261	199	6.0	Other Maritime ports	62	3.3
228	169	5.1	Other West Coast ports	59	3.1
210	129	3.9	New York	81	4.3
126	64	1.9	Toronto	62	3.3
122	74	2.2	Other U.S. East Coast ports	48	2.5
103	21	0.6	Seattle	82	4.3
378	157	4.7	Other ports	221	11.6
5 229	3 324	100.0%	Total	1 905	100.0%*
			b. Small users		
152	76	40.9%	Montreal	76	39.8%
225	110	59.1	Other ports	115	60.2
377	186	100.0%	Total	191	100.0%
			c. Exporters (shippers)		
1 245	882	25.4%	Montreal	363	52.7%
581	545	15.7	Saint John, N.B.	36	5.2
481	442	12.7	Halifax	39	5.7
468	428	12.3	Vancouver	40	5.8
328	328	9.5	Other Central Canada ports	—	—
269	207	6.0	Other Maritime ports	62	9.0
194	138	4.0	New York	56	8.1
169	169	4.9	Other West Coast ports	—	—
109	69	2.0	Toronto	40	5.8
312	259	7.5	Other ports	53	7.7
4 156	3 467	100.0%	Total	689	100.0%

Table B.7 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Port	Import tonnage (000 t)	% of total imports
			d. Importers (consignees)		
593	22	51.2%	Montreal	571	40.6%
190	17	39.5	Vancouver	173	12.3
144	1	2.3	Halifax	143	10.2
523	3	7.0	Other ports	520	36.9
1 450	43	100.0%	Total	1 407	100.0%
			e. Maritime users		
269	249	55.5%	Saint John, N.B.	20	27.8%
150	120	26.7	Halifax	30	41.7
102	80	17.8	Other ports	22	30.5
521	449	100.0%	Total	72	100.0%
			f. Quebec users		
847	343	29.8%	Montreal	504	62.1%
222	156	13.5	Halifax	66	8.1
206	173	15.0	Saint John, N.B.	33	4.1
202	195	16.9	Other Central Canada ports	7	0.9
486	285	24.7	Other ports	201	24.8
1 963	1 152	100.0%*	Total	811	100.0%
			g. Ontario users		
771	484	35.3%	Montreal	287	32.0%
213	131	9.5	Halifax	82	9.2
165	120	8.7	Other Maritime ports	45	5.0
156	117	8.5	Saint John, N.B.	39	4.4
145	94	6.9	Vancouver	51	5.7
138	102	7.4	New York	36	4.0
134	131	9.5	Other Central Canada ports	3	0.3
115	66	4.8	Toronto	49	5.5
99	60	4.4	Other U.S. East Coast ports	39	4.4
332	67	4.9	Other ports	265	29.5
2 268	1 372	100.0%*	Total	896	100.0%

Table B.7 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Port	Import tonnage (000 t)	% of total imports
			h. Prairie users		
156	79	100.0%	Other ports	77	100.0%
			i. West Coast users		
395	274	59.8%	Vancouver	121	50.2%
141	136	29.7	Other West Coast ports	5	2.1
163	48	10.5	Other ports	115	47.7
699	458	100.0%	Total	241	100.0%

*Individual percentages may not total 100%, due to rounding.

Table B.8

Commodities Shipped through Ports

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			a. Port of Montreal	—	
340	129	14.3%	Food products	211	22.7%
260	200	22.2	Mining products	60	6.5
254	107	11.9	Machinery	147	15.8
205	43	4.8	Primary metals	162	17.5
170	99	11.0	Pulp, paper and allied forest products	71	7.7
165	1	0.1	Beverage products	164	17.7
136	76	8.4	Chemicals and chemical products	60	6.5
298	245	27.2	Other commodities	53	5.7
1 828	900	100.0%*	Total	928	100.0%*
			b. Port of Vancouver		
125	84	18.9%	Food products	41	19.3%
122	120	27.0	Agricultural products	2	0.9
94	94	21.1	Pulp, paper and allied forest products	—	—
88	82	18.4	Primary metals	6	2.8
228	65	14.6	Other commodities	163	76.9
657	445	100.0%	Total	212	100.0%*
			c. Port of Saint John, N.B.		
265	265	48.4%	Pulp, paper and allied forest products	—	—
378	283	51.6	Other commodities	95	100.0%
643	548	100.0%	Total	95	100.0%

Table B.8 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			d. Port of Halifax		
227	185	40.9%	Food products	42	23.1%
103	83	18.4	Agricultural products	20	11.0
304	184	40.7	Other commodities	120	65.9
634	452	100.0%	Total	182	100.0%
			e. Other Central Canada ports		
190	190	57.9%	Pulp, paper and allied forest products	--	--
148	138	42.1	Other commodities	10	100.0%
338	328	100.0%	Total	10	100.0%
			f. Other Maritime ports		
131	131	63.3%	Pulp, paper and allied forest products	--	--
105	60	29.0	Mining products	45	72.6%
33	16	7.7	Other commodities	17	27.4
269	207	100.0%	Total	62	100.0%
			g. Other West Coast ports		
135	135	79.9%	Pulp, paper and allied forest products	--	--
93	34	20.1	Other commodities	59	100.0%
228	169	100.0%	Total	59	100.0%

*Individual percentages may not total 100%, due to rounding.

Table B.9

Volumes Exported to and Imported from Canada's Trading Partners — All Firms (except freight forwarders)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	World trade zone	Import tonnage (000 t)	% of total imports
1 589	812	22.8%	Europe	777	37.1%
808	540	15.2	Northeast Asia	268	12.8
730	488	13.7	British Isles	242	11.6
308	288	8.1	Caribbean Sea	20	1.0
278	131	3.7	Mediterranean Sea	147	7.0
274	223	6.3	Southwest Pacific	51	2.4
253	114	3.2	South America: Atlantic	139	6.6
199	72	2.0	East Indies	127	6.1
171	169	4.7	Central America	2	0.1
146	112	3.1	South America: Pacific	34	1.6
125	82	2.3	Indian subcontinent	43	2.1
120	110	3.1	Middle East	10	0.5
654	419	11.8	Other world trade zones	235	11.2
5 655	3 560	100.0%	Total	2 095	100.0%*

*Individual percentages may not total 100%, due to rounding.

Table B.10

Volumes Exported to and Imported from Canada's Trading Partners

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	World trade zone	Import tonnage (000 t)	% of total imports
			a. Large users		
1 456	745	22.1%	Europe	711	37.3%
736	520	15.4	Northeast Asia	216	11.3
683	466	13.8	British Isles	217	11.4
291	272	8.1	Caribbean Sea	19	1.0
260	129	3.8	Mediterranean Sea	131	6.9
250	204	6.1	Southwest Pacific	46	2.4
248	111	3.3	South America: Atlantic	137	7.2
196	71	2.1	East Indies	125	6.6
169	167	5.0	Central America	2	0.1
141	108	3.2	South America: Pacific	33	1.7
123	82	2.4	Indian subcontinent	41	2.2
719	492	14.6	Other world trade zones	227	11.9
5 272	3 367	100.0%*	Total	1 905	100.0%
			b. Small users		
132	66	34.2%	Europe	66	34.7%
72	20	10.4	Northeast Asia	52	27.4
179	107	55.4	Other world trade zones	72	37.9
383	193	100.0%	Total	190	100.0%
			c. Exporters (shippers)		
1 001	808	23.0%	Europe	193	28.0%
586	526	15.0	Northeast Asia	60	8.7
583	487	13.8	British Isles	96	13.9
288	270	7.7	Caribbean Sea	18	2.6
260	221	6.3	Southwest Pacific	39	5.7
198	114	3.2	South America: Atlantic	84	12.2
169	169	4.8	Central America	—	—
149	131	3.7	Mediterranean Sea	18	2.6
141	111	3.2	South America: Pacific	30	4.4
95	82	2.3	Indian subcontinent	13	1.9
736	598	17.0	Other world trade zones	138	20.0
4 206	3 517	100.0%	Total	689	100.0%

Table B.10 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	World trade zone	Import tonnage (000 t)	% of total imports
			d. Importers (consignees)		
588	4	9.3%	Europe	584	41.5%
223	15	34.9	Northeast Asia	208	14.8
147	1	2.3	British Isles	146	10.4
129	--	--	Mediterranean Sea	129	9.2
127	--	--	East Indies	127	9.0
235	23	53.4	Other world trade zones	212	15.1
1 449	43	100.0%*	Total	1 406	100.0%
			e. Maritime users		
173	159	35.2%	Europe	14	19.4%
351	293	64.8	Other world trade zones	58	80.6
524	452	100.0%	Total	72	100.0%
			f. Quebec users		
627	287	24.3%	Europe	340	42.0%
288	214	18.1	Northeast Asia	74	9.1
205	160	13.6	British Isles	45	5.6
122	24	2.0	Mediterranean Sea	98	12.1
120	120	10.2	Caribbean Sea	--	--
117	82	6.9	Southwest Pacific	35	4.3
511	293	24.8	Other world trade zones	218	26.9
1 990	1 180	100.0%*	Total	810	100.0%
			g. Ontario users		
628	279	20.0%	Europe	349	39.0%
280	165	11.8	British Isles	115	12.8
263	145	10.4	Northeast Asia	118	13.2
172	88	6.3	South America: Atlantic	84	9.4
120	87	6.2	South America: Pacific	33	3.7
118	109	7.8	Southwest Pacific	9	1.0
93	55	3.9	East Indies	38	4.2
92	92	6.6	Carribean Sea	--	--
524	375	26.9	Other world trade zones	149	16.6
2 290	1 395	100.0%*	Total	895	100.0%*

Table B.10 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	World trade zone	Import tonnage (000 t)	% of total imports
			h. Prairie users		
152	75	100.0%	Total world trade zones	77	100.0%
			i. West Coast users		
200	122	26.6%	British Isles	78	32.4%
197	123	26.9	Northeast Asia	74	30.7
302	213	46.5	Other world trade zones	89	36.9
699	458	100.0%	Total	241	100.0%

*Individual percentages may not total 100%, due to rounding.

Table B.11

Commodities Exported and Imported between Canada and Her Trading Partners -- All Firms (except freight forwarders)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			a. Europe		
287	128	15.8%	Food products	159	20.6%
250	225	27.8	Pulp, paper and allied forest products	25	3.2
214	45	5.6	Primary metals	169	21.9
170	45	5.6	Machinery	125	16.2
149	133	16.4	Mining products	16	2.1
148	1	0.1	Beverage products	147	19.1
363	233	28.8	Other commodities	130	16.9
1 581	810	100.0%*	Total	771	100.0%
			b. Northeast Asia		
157	149	27.6%	Pulp, paper and allied forest products	8	3.0%
137	88	16.3	Food products	49	18.6
113	105	19.5	Primary metals	8	3.0
109	101	18.7	Mining products	8	3.0
286	96	17.8	Other commodities	190	72.2
802	539	100.0%*	Total	263	100.0%*
			c. British Isles		
198	198	40.6%	Pulp, paper and allied forest products	--	--
129	50	10.2	Primary metals	79	32.6%
120	49	10.0	Mining products	71	29.3
118	86	17.6	Food products	32	13.2
165	105	21.5	Other commodities	60	24.8
730	488	100.0%*	Total	242	100.0%*

Table B.11 (continued)

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Commodity	Import tonnage (000 t)	% of total imports
			d. Carribean Sea		
119	119	41.1%	Food products	—	--
189	169	58.9	Other commodities	20	100.0%
308	288	100.0%	Total	20	100.0%

*Individual percentages may not total 100%, due to rounding.

Table B.12

Freight Forwarders' Use of North American Ports for Loading and Unloading Canadian Overseas Traffic

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	Port	Import tonnage (000 t)	% of total imports
751	521	34.9%	Montreal	230	17.8%
691	370	24.8	Vancouver	321	24.9
346	99	6.6	Seattle	247	19.1
168	104	7.0	Saint John, N.B.	64	5.0
225	130	8.7	Halifax	95	7.4
216	153	10.2	New York	63	4.9
211	90	6.0	Toronto	121	9.4
135	16	1.1	Other U.S. West Coast ports	119	9.2
41	10	0.7	Other ports	31	2.4
2 784	1 493	100.0%	All ports	1 291	100.0%*

*Individual percentages may not total 100%, due to rounding.

Table B.13

Distribution of Freight Handled by Forwarders throughout World Trade Zones

Total tonnage (000 t)	Export tonnage (000 t)	% of total exports	World trade zone	Import tonnage (000 t)	% of total imports
1 119	381	25.5	Northeast Asia	738	57.2%
740	444	29.8	Europe	296	22.9
215	150	10.1	British Isles	65	5.0
167	107	7.2	East Africa	60	4.7
138	120	8.0	Southwest Pacific	18	1.4
401	290	19.4	Other zones	113	8.8
2 780	1 492	100.0%	All zones	1 290	100.0%

Appendix C

TRAFFIC MANAGEMENT PATTERNS AND PRACTICES

Appendix C

TRAFFIC MANAGEMENT PATTERNS AND PRACTICES

Control of Routings and Transportation Arrangements

Participating firms were asked to provide the percentage of their total inbound and outbound traffic for which they control routings and transportation arrangements. The results demonstrate that Canadian shippers and consignees do have control over their international traffic routings and are therefore interested in the issues related to the conference system and the Shipping Conferences Exemption Act.

Table C.1 shows tonnages shipped and received by surveyed Canadian firms in 1981 and, using the same techniques as in Appendix B, provides for each category of firm the percentage breakdown and tonnage of overseas ocean freight controlled by the survey respondents versus their trading partners. In the case of exports, the routing of traffic is controlled either by the surveyed firm or its consignees; in the case of imports, traffic arrangements are controlled either by the surveyed firm or its shippers. Freight forwarders, of course, are in 100% control of their own routings and transportation arrangements.

The point is again raised that firms selected to participate in the survey were those named on the customer lists of various Canadian ports. Many very small firms making extensive use of freight forwarders would not be named on such lists. Therefore, firms participating in the survey were likely to have a high degree of control over their routings, as is evident from the results reported in Table C.1.

All firms (excluding freight forwarders) considered together tend to control their export routings (83% of exports) more than they control, or are able to control, their import routings (68% of imports). This observation is true in every stratum except for Prairie firms, who seem to have more control over their small amount of imports (99%) than their similar amounts of exports (61%). These general observations apply with nearly identical ratios to firms in Quebec and Ontario, and to exporters and large users.

Among the regions, firms in Atlantic Canada exercise the greatest degree of control over their exports (94%). Moreover, they appear less involved in managing their small amount of imports (46%). West Coast users follow the general pattern of routing control over exports but only control the transportation arrangements on half (50%) of their imports. Firms considered to be importers exercise more control than any other category of firm over their small amount of exports (95%). Finally, small users are able to control 86% of their export routings but only 55% of their imports.

Table C.1

Control of Routings and Transportation Arrangements by Canadian Shippers

	Exports			Imports		
	Export tonnage (000 t)	Tonnage controlled (000 t)	% controlled	Import tonnage (000 t)	Tonnage controlled (000 t)	% controlled
All firms	5 033	4 432	88.1	3 400	2 731	80.3
Freight forwarders	1 491	1 491	100.0	1 290	1 290	100.0
All firms (except frt. fwdrs.)	3 542	2 942	83.1	2 110	1 442	68.3
By orientation of trade:						
Exporters (shippers)	3 503	2 903	82.9	689	470	68.2
Importers (consignees)	40	38	95.0	1 421	972	68.4
By volume of trade:						
Large	3 347	2 774	82.9	1 922	1 339	69.7
Small	196	168	85.7	188	103	54.8
By geographical distribution:						
Maritimes	429	401	93.5	72	33	45.8
Quebec	1 180	975	82.6	808	552	68.3
Ontario	1 401	1 139	81.3	913	659	72.2
Prairies	77	47	61.0	77	76	98.7
West Coast	455	379	83.3	241	121	50.2

For the most part, Canadian exporters would seem to have transportation arrangements for their exports well in hand. An Ontario consignee explains why he controls a significantly smaller portion of his import routings:

> All control over conference dealings for this firm rests with a multi-national parent company headquartered in another country. Therefore we enjoy good freight rates due to the bargaining power of our parent, but really individually we have no control over ocean freight matters.

Assignment of Freight by Canadian Traffic Managers

Referring only to the traffic for which they control transportation arrangements, survey participants were asked to provide a percentage breakdown of the traffic they assign to the various marine shipping organizations, namely, freight forwarders/consolidators; conference liners; independent liners; and all other ocean carriers including time and voyage charters, own fleet, tramps, and other vessels.

A number of firms use freight forwarders to look after a variety of their needs from processing customs documents to actively providing the transportation service required. Some of these firms turn over the complete traffic management function (including carrier selection) to freight forwarders. However, a number of firms use freight forwarders to make the various arrangements only after they have specified the use of conference or non-conference carriers.

In the following discussion, the traffic reported as being assigned to freight forwarders includes only that traffic for which freight forwarders have been given complete control, including the decision as to whether conference or non-conference carriers will be used.

As shown in Table C.2, all surveyed firms considered, the largest share of traffic controlled by Canadian shippers and consignees is assigned to conference carriers (44% of exports and 46% of imports). Approximately a third of all traffic is assigned to independents. In the case of exports, the remaining Canadian-controlled traffic is assigned to other marine shipping organizations (12%) and to freight forwarders/consolidators (10%). In the case of imports, freight forwarders are assigned 16% of the balance of traffic not assigned to conference carriers and independents, while only 5% is assigned to other types of carriers.

Freight forwarders divide their traffic between conference carriers (53%) and independents (44%) approximately identically for exports and imports. After assigning 15% of their controlled export freight to forwarders, shippers and consignees tend to assign traffic to conference carriers and independents in similar portions to those mentioned above. Several differences exist between the assignment of traffic to carriers

Table C.2

Assignment of Traffic to the Various Marine Shipping Organizations

	Export tonnage controlled (000 t)	% distribution of export traffic to:				Import tonnage controlled (000 t)	% distribution of import traffic to:			
		Freight forwarders	Conference carriers	Independents	Others		Freight forwarders	Conference carriers	Independents	Others
All firms	4 353	9.6%	43.9%	34.5%	12.0%	2 706	16.4%	45.9%	33.1%	4.6%
Freight forwarders	1 491	--	53.5	44.2	2.3	1 295	--	53.2	44.4	2.3
All firms (except frt. fwdrs.)	2 862	14.7	38.8	29.4	7.1	1 411	31.5	39.3	22.6	6.7
By orientation of trade:										
Exporters (shippers)	2 821	14.8	38.2	29.7	17.3	470	42.3	39.4	10.6	7.9
Importers (consignees)	38	5.3	89.5	5.3	--	941	26.0	39.2	28.7	6.1
By volume of trade:										
Large	2 695	14.5	37.8	29.8	17.9	1 322	32.3	37.8	23.0	6.9
Small	165	18.2	55.8	21.8	4.2	90	18.9	60.0	17.8	3.3
By geographical distribution:										
Maritimes[a]	402	0.7	35.6	60.7	2.7	33	9.1	39.4	--	51.5
Quebec	975	12.4	37.9	22.5	27.2	542	25.8	44.8	22.0	7.4
Ontario	1 132	25.4	38.3	26.1	10.2	639	46.9	33.0	14.2	5.6
Prairies	47	12.8	51.1	36.2	--	76	1.3	92.1	6.6	--
West Coast[a]	304	0.7	46.4	21.1	32.2	121	0.8	13.2	86.0	--

[a]Firms included in the participant selection frame and subsequently surveyed in the Maritime and West Coast regions tended to be larger shippers. As is apparent from the results, such firms tended to deal directly with shipping lines rather than to use freight forwarders as carriers. Further, that such firms are located in port cities likely means that they are knowledgeable and therefore equipped to specify the carriers to be used, even though they may use a forwarder as a documentation or forwarding agent.

for exports versus imports. First, firms use freight forwarders for their import needs proportionately much more than they do for exporting (32% compared to 15%). Second, independent lines are used less for importing (23%) than for exporting (29%). Finally, Canadian exporters are more likely to charter their own vessels than are their importer colleagues.

Within the geographical regions, surveyed Maritime shippers report negligible use of freight forwarders for exporting and assign the majority of their outbound traffic to the independents (61%). Moreover, for imports, independent liners are not used at all by Maritime shippers, but rather extensive use is made of other special arrangements. In Quebec and Ontario, firms make use of conference carriers somewhat more for imports than for exports, use independents similarly in the case of Quebec and much less for imports in the case of Ontario shippers, and both engage freight forwarders twice as frequently for imports as exports. Prairie firms use conference carriers most intensively (51% of exports and 92% of imports). West Coast firms tend to make relatively little use of freight forwarders as carriers on movements in and out of Canada preferring, in the case of exports, to use conference carriers (46%), other arrangements (32%) and independent liners (21%), for imports 87% of shipments are brought in with so-called independents.

Freight forwarders participating in the survey report that they handled nearly 1.5 million tonnes of their clients' exports and nearly 1.3 million tonnes of imports. In assigning their clients' export traffic to the various carriers, forwarders use conference liners for 54% of the freight, independent liners for 44% and others for the remaining 2%. Freight forwarders' assignment of import traffic to the various carrier types is approximately identical.

Other observations and conclusions concerning the manner in which Canadian traffic managers assign the freight that they control to various marine shipping organizations are as follows:

1. Firms which are principally exporters assign nearly three times as much of their importing needs to freight forwarders as they do for their exporting needs. They also make much greater use of voyage and time charters, and other arrangements for their exports than they do for imports. While for their exports, exporters assign nearly 30% more freight to conference carriers than to independents, on their relatively small import needs exporters assign nearly 300% more to conference carriers than to independents.

2. Firms which are principally importers are much more likely to use freight forwarders for importing (26%) than for exporting (5%). While for imports conference carriers are used somewhat more than independents (39% compared to 11%), for exports only 5% of importers' export traffic is assigned to independents, compared to 90% for conference carriers.

3. The traffic assignment distribution of large firms is approximately identical to that of exporters in the case of exports and quite similar in the case of imports.

4. For both imports and exports, small firms use conference carriers (56% to 60%) much more than do large firms (38%). Small firms make more use of freight forwarders to export than do large firms, but the reverse is true in the case of exports.

Captivity of Importers and Exporters to Conference Carriers

Tables C.3 and C.4, respectively, show the degree to which Canadian users of marine transportation services consider themselves to be captive to conference carriers. On exports, 23% of users consider themselves captive, compared to 26% for imports. Prairie firms do not consider themselves captive to conferences for exports (8%) but very much so for imports (88%). Aside from this anomaly, the degree of captivity to conferences among the regions varies between 14% (Quebec) and 30% (Ontario) for exports and between 10% (West Coast) and 36% (Maritimes) for imports.

The only other noteworthy difference is that small importers consider themselves perhaps more captive to conference carriers than do other groups of firms:

> We feel that importers should be free to use any line they wish even if they are members of a conference. When we are in urgent need of a product, we should have the choice of using non-conference carriers. (unidentified small consignee)

Apart from the question of whether or not firms are captive to conferences, some firms choose conference services even though they do have other options:

> We do not have to use conference carriers, but their services and rates are unbeatable. This firm is the Canadian branch of a multi-national European firm which negotiates rates with liner conferences on behalf of all subsidiaries. (small Ontario consignee)

> We have studied the feasibility of time chartering but have concluded that it may be more trouble than it is worth. We and our competitors are large enough, however, that it is possible to negotiate reasonable rates for the most part. In fact this firm has such large volumes that some of the conferences allow waivers in their loyalty contracts. (large Ontario shipper)

Table C.3

Degree of Export Captivity to Conferences

	Total[a] tonnage (000 t)	% captive tonnage	Captive tonnage (000 t)	% of firms reporting no choice but to use conference carriers for the following portions of their export traffic:[b] 0%-20% of firm's export tonnage	21%-80% of firm's export tonnage	81%-100% of firm's export tonnage
All firms	5 059	24.0%	1 216	57.7%	28.8%	13.5%
Freight forwarders	1 491	25.9	386	52.4	42.9	4.8
All firms (except frt. fwdrs.)	3 568	23.3	832	58.2	27.3	14.4
By orientation of trade:						
Exporters (shippers)	3 525	23.3	823	56.3	28.5	15.2
Importers (consignees)	43	16.3	7	66.7	22.2	11.1
By volume of trade:						
Large	3 372	23.3	785	61.5	29.5	9.0
Small	196	23.5	46	56.0	25.9	18.1
By geographical distribution:						
Maritimes	452	28.5	129	40.0	30.0	30.0
Quebec	1 180	13.9	164	75.0	20.8	4.2
Ontario	1 401	29.8	418	51.5	35.4	13.1
Prairies	77	7.8	6	60.0	10.0	30.0
West Coast	458	24.9	114	70.6	5.9	23.5

[a]Total tonnages in certain tables may vary due to non-response to some questions.
[b]Example: 57.7% of survey respondents reported that they had no choice but to use conference carriers for between 0% and 20% of their export traffic.

Table C.4

Degree of Import Captivity to Conferences

	Total[a] tonnage (000 t)	% captive tonnage	Captive tonnage (000 t)	% of firms reporting no choice but to use conference carriers for the following portions of their import traffic:[b] 0%-20% of firm's import tonnage	21%-80% of firm's import tonnage	81%-100% of firm's import tonnage
All firms	3 386	28.2%	954	58.8%	22.4%	18.9%
Freight forwarders	1 290	31.4	405	36.8	47.4	15.8
All firms (except frt. fwdrs.)	2 096	26.2	549	60.8	20.1	19.1
By orientation of trade:						
Exporters (shippers)	689	28.4	196	63.5	17.7	18.8
Importers (consignees)	1 407	25.1	353	58.4	22.1	19.5
By volume of trade:						
Large	1 905	24.9	475	62.1	19.7	18.2
Small	191	38.7	74	60.1	20.3	19.6
By geographical distribution:						
Maritimes	72	36.1	26	44.4	16.7	38.9
Quebec	811	29.7	241	66.7	20.0	13.3
Ontario	896	21.1	189	61.4	22.8	15.8
Prairies	77	88.3	68	50.0	12.5	37.5
West Coast	241	10.4	25	59.1	13.6	27.3

[a]Total tonnages in certain tables may vary due to non-response to some questions.
[b]Example: 58.8% of survey respondents reported that they had no choice but to use conference carriers for between 0% and 20% of their import traffic.

Forwarders are in approximate agreement with shippers and consignees concerning the question of captivity to conferences; for 26% of their exports and 31% of their imports, freight forwarders feel they have no choice but to use conference carriers. Unlike shippers, freight forwarders appear less concerned by this so-called captivity, or lack of choice.

> At present freight rates are relatively low and services are good. There are occasional problems related to logistics and physical distribution management not due to the existence of conferences. If one or two lines drop out of any given trade, however, it is of no concern because the slack will be taken up by somebody else; it is very easy to start up a steamship company.
>
> There are sometimes restrictions on whom you can use, but really there is no such thing as real captivity to a conference. You can either escape or neutralize. For example, you can change routings to get goods to destinations and avoid a problem conference. In cases where shippers use non-conference carriers in contravention of their loyalty contract, enforcement of the penalty provisions is almost unheard of.

Important Factors in the Selection of Carriers

Predicting which type of carrier a traffic manager will choose under different circumstances -- or for that matter attempting to make clear-cut decisions in any situation involving non-quantifiable factors -- is far from being an exact science. In choosing between conference carriers versus independents or other marine shipping organizations, users must take into account a large number of factors besides rates. In fact, a traditional argument put forth by conferences is that their high-quality service and reliable schedules are well worth the premium prices they charge. Conversely, outsiders are sometimes thought of as providing bargain rates but at the cost of somewhat poorer, limited service.

Given a wide variety of opinions as to which factors carriers should be evaluated on, shippers, consignees and freight forwarders were asked to state the degree of importance that they place on a number of preset transportation arrangement selection factors and to rate the different marine shipping organizations in terms of how well they meet users' needs in those areas. This was done for the firms interviewed in person. Because carrier selection factors may be of varying importance in the different trades a shipper may be involved in, respondents were asked to answer these questions taking all trades into consideration "on the average."

Table C.5

Importance Ratings (1 to 5) of Various Factors in the Selection of Carriers[a]

	Reasonable freight rates	Stability of freight rates	Regular, reliable schedule	Availability of space on demand	Availability of suitable containers	Fast service	Low instances of claims	Customer service feedback	Ability to conduct meaningful consultation	Flag of carrier
All firms	4.3	4.0	3.8	3.7	3.7	3.5	3.4	3.4	3.3	1.7
Freight forwarders	4.2	3.8	4.0	3.7	3.7	3.6	3.3	3.7	3.6	2.2
All firms (except frt. fwdrs.)	4.3	4.0	3.8	3.7	3.7	3.5	3.4	3.4	3.3	1.7
By orientation of trade:										
Exporters (shippers)	4.4	4.1	3.8	3.8	3.8	3.5	3.4	3.5	3.4	1.7
Importers (consignees)	4.3	3.9	3.7	3.5	3.5	3.6	3.4	3.1	3.1	1.6
By volume of trade:										
Large	4.4	4.1	4.0	4.0	3.8	3.5	3.4	3.3	3.3	1.8
Small	4.3	3.9	3.6	3.6	3.6	3.5	3.5	3.4	3.3	1.5
By geographical distribution:										
Maritimes	4.5	4.1	4.2	4.2	4.0	3.9	3.4	3.5	3.6	1.6
Quebec	4.4	4.3	4.0	3.8	3.9	3.7	3.1	3.7	3.5	1.7
Ontario	4.3	3.9	3.5	3.5	3.4	3.2	3.5	3.3	3.1	1.6
Prairies	4.3	4.2	3.3	3.5	3.8	3.6	3.4	3.2	3.1	1.7
West Coast	4.4	3.6	4.0	3.9	3.7	3.5	3.8	3.1	3.2	1.6

[a]In Tables C.5 and C.6, a higher number means a higher (or preferred) rating. That is, 1 is very poor and 5 is very good.

Table C.5 shows the importance ratings given to the various transportation arrangements selection factors. A rating approaching five demonstrates a very high degree of importance, while a rating approaching one implies a much lower degree. The first major conclusion to be drawn from the table is that for every category of firm (although not necessarily for each individual firm), reasonable freight rates are the most important consideration in selecting a carrier.

Generally speaking (that is, for all in-person survey respondents considered together), the next most important factors which shippers consider in making their choice of carriers are stability of freight rates; regular, reliable schedule; availability of space on demand; and availability of suitable containers. Other factors, notably fast service, are of negligible importance.

For all survey participants, except freight forwarders who are involved in every conceivable trade, flag of carrier is considered to be irrelevant, a view that likely reflects the fact that Canada has no national flag deepsea merchant marine.

The transportation arrangement selection factor ratings shown in Table C.5 indicate that the factor for which independent carriers are noted, reasonable freight rates, is rated by shippers as being most important, while the factors claimed as selling features by the conferences are considered to be of secondary importance.

All firms agree that the carrier selection factor of greatest importance is the level of rates. Freight forwarders and other firms alternate their choices of second and third most important factors between regular, reliable schedule and stability of freight rates. After that, freight forwarders tend to consider most factors to be of similar importance.

Rating the Performance of Marine Shipping Organizations

In order to determine shippers' perceptions of how well the different marine shipping organizations perform in terms of meeting their requirements in relation to the various factors, firms interviewed in person were asked to rate the performance of the different types of carriers on a one to five basis, with one meaning very poor and five meaning very good. The factor/carrier ratings provided in Table C.6 are based on the averages of the ratings provided by firms which rated particular marine shipping organizations. For example, the rating given to conference carriers is the average of only those firms which rated them. Subsidiary Table C.7 providing the factor/carrier ratings for the regions and user types is attached at the end of this appendix.

Table C.6

Ratings of Carriers' Performance in Terms of Various Selection Factors (all interviewed firms)

	Freight forwarders	Conference carriers	Independents	Others
1. Reasonable freight rates	4.1	2.8	4.1	4.3
2. Stability of freight rates	3.9	3.5	3.6	3.4
3. Regular, reliable schedule	4.1	4.1	3.2	3.1
4. Availability of space on demand	4.0	4.1	3.8	3.9
5. Availability of suitable containers	3.8	4.1	3.6	3.7
6. Fast service	4.2	4.1	3.4	3.4
7. Low instances of claims	4.3	4.0	3.7	3.6
8. Customer service	4.4	3.9	3.6	3.5
9. Ability to conduct meaningful consultations	4.2	3.5	3.8	4.3

Caution should be exercised in drawing conclusions concerning the size of gaps between scores shown in Table C.6. In community rankings such as this, however, it is reasonable to speak in terms of one carrier type being preferred to another. Several important observations can be drawn.

1. Freight forwarders receive the highest ratings in five of nine transportation arrangement selection factors, including stability of freight rates, fast service and customer service.

2. Conference carriers receive the highest ratings in three of the nine selection factors, including regular reliable schedule; availability of space on demand; and availability of suitable containers. They receive the lowest rating in terms of reasonable freight rates, the factor shippers consider to be most important.

3. Independent liners receive relatively low ratings in terms of service quality factors. However, they receive a substantially higher rating than conference carriers in terms of reasonable freight rates.

In their ratings of carriers, freight forwarders tend to give conference liners higher ratings than they do the independents. In terms of the nine transportation arrangement selection criteria, the conferences are given higher ratings seven times. Independents and others are rated highest by freight forwarders on freight rate levels. Independents are rated as being most amenable to participating in meaningful consultations. It is noted that forwarders' ratings of conference versus non-conference liners are roughly representative of the respective proportions of traffic assigned to them by freight forwarders.

Conclusions

The information provided in Appendices B and C deepens the perspective on shippers' views presented in summary form in Chapter I. Statistical data show surveyed firms to have substantive involvements in international trade, as is reflected by the extent of their importing and exporting activities. Survey participants are involved in shipping and receiving a broad cross section of commodities through all Canadian and several American ports to and from all parts of the globe. The trade involvements reported, coupled with positions held by individual respondents, show surveyed users to be well positioned to comment on various aspects of virtually all trades.

Several conclusions concerning the transportation and distribution management practices and preferences of Canadian traffic executives emerge from the survey:

1. Surveyed Canadian shippers and consignees control the transportation arrangements and routings for the great majority of goods they ship and receive.

2. Only a quarter of overseas traffic controlled by Canadian shippers is considered to be captive to conferences, but shippers tend to make use of conference services for over 40% of their shipments. In fact, the traffic assignment split between conference and independent liners bears a close resemblance to the carrier preference ratings reported by surveyed shippers.

3. Shippers rate the services of freight forwarders acting as carriers highly.

4. Shippers rate conference carriers lowest in terms of the variable they consider most important, reasonable freight rates. However, they rate conference carriers highly in terms of service quality variables.

5. Independent liners rate highly in terms of reasonable freight rates, but rate lower than conference carriers in terms of service quality variables.

Table C.7

Shippers' Performance Ratings of Marine Shipping Organizations in Terms of Transportation Arrangement Selection Factors (by Category of Firm)

	Freight forwarders	Conference carriers	Independents	Others
	a. Shippers only			
1. Reasonable freight rates	4.1	2.7	4.1	4.3
2. Stability of freight rates	3.9	3.4	3.5	3.5
3. Regular, reliable schedule	4.1	4.1	3.2	3.2
4. Availability of space on demand	4.0	4.1	3.7	4.0
5. Availability of suitable containers	3.8	4.1	3.5	3.7
6. Fast service	4.2	4.0	3.3	3.5
7. Low instances of claims	4.3	4.0	3.6	3.6
8. Customer service	4.4	3.9	3.6	3.6
9. Ability to conduct meaningful consultations	4.2	3.4	3.7	4.3

Table C.7 (continued)

	Freight forwarders	Conference carriers	Independents	Others
		b. Maritimes		
1. Reasonable freight rates	--	2.6	4.0	4.5
2. Stability of freight rates	--	3.6	3.8	3.0
3. Regular, reliable schedule	--	4.0	3.3	2.0
4. Availability of space on demand	--	4.1	3.8	4.0
5. Availability of suitable containers	--	4.2	3.5	--
6. Fast service	--	4.0	3.1	3.0
7. Low instances of claims	--	4.0	4.4	3.0
8. Customer service	--	4.3	3.0	3.5
9. Ability to conduct meaningful consultations	--	4.0	3.6	4.0
		c. Quebec		
1. Reasonable freight rates	3.7	2.4	3.7	4.0
2. Stability of freight rates	3.7	3.1	2.8	3.0
3. Regular, reliable schedule	4.7	4.3	3.0	3.4
4. Availability of space on demand	4.0	4.1	3.8	4.0

Table C.7 (continued)

	Freight forwarders	Conference carriers	Independents	Others
5. Availability of suitable containers	4.0	4.3	3.3	—
6. Fast service	4.7	4.0	3.2	3.4
7. Low instances of claims	4.5	3.9	3.3	4.0
8. Customer service	4.7	4.0	3.8	3.4
9. Ability to conduct meaningful consultations	4.3	3.4	3.8	4.2
d. Ontario				
1. Reasonable freight rates	4.0	2.8	4.3	4.7
2. Stability of freight rates	3.9	3.6	3.7	4.3
3. Regular, reliable schedule	4.1	4.1	3.3	3.7
4. Availability of space on demand	3.9	4.3	3.7	4.3
5. Availability of suitable containers	3.6	4.1	3.6	3.7
6. Fast service	4.1	4.0	3.5	4.3
7. Low instances of claims	4.4	4.0	3.6	3.3
8. Customer service	4.3	3.8	3.6	4.0
9. Ability to conduct meaningful consultations	4.1	3.3	3.6	4.7

Table C.7 (continued)

	Freight forwarders	Conference carriers	Independents	Others
	e. Prairies			
1. Reasonable freight rates	4.5	2.8	4.1	—
2. Stability of freight rates	4.0	3.2	3.7	—
3. Regular, reliable schedule	4.0	3.8	3.2	—
4. Availability of space on demand	4.5	4.0	3.7	—
5. Availability of suitable containers	4.3	4.2	4.0	—
6. Fast service	4.3	4.2	3.9	—
7. Low instances of claims	4.3	4.4	4.2	—
8. Customer service	4.8	4.0	3.5	—
9. Ability to conduct meaningful consultations	4.8	3.4	3.7	—
	f. West Coast			
1. Reasonable freight rates	4.0	2.9	4.3	4.0
2. Stability of freight rates	4.0	3.4	4.0	5.0
3. Regular, reliable schedule	3.0	3.8	2.9	3.0
4. Availability of space on demand	3.0	3.9	3.7	3.0

Table C.7 (continued)

	Freight forwarders	Conference carriers	Independents	Others
5. Availability of suitable containers	4.0	3.7	3.4	--
6. Fast service	3.0	3.7	2.8	3.0
7. Low instances of claims	4.0	3.9	3.4	4.0
8. Customer service	4.0	3.8	3.9	4.0
9. Ability to conduct meaningful consultations	2.0	3.3	3.8	4.0
g. Exporters				
1. Reasonable freight rates	4.3	2.6	4.0	4.3
2. Stability of freight rates	4.1	3.4	3.5	3.5
3. Regular, reliable schedule	4.2	4.0	3.1	3.2
4. Availability of space on demand	4.2	4.1	3.7	4.1
5. Availability of suitable containers	3.9	4.1	3.5	4.0
6. Fast service	4.5	3.9	3.2	3.5
7. Low instances of claims	4.4	4.1	3.7	3.8
8. Customer service	4.5	4.1	3.5	3.6
9. Ability to conduct meaningful consultations	4.3	3.5	3.7	4.2

Table C.7 (continued)

	Freight forwarders	Conference carriers	Independents	Others
	h. Importers			
1. Reasonable freight rates	3.6	2.8	4.3	4.0
2. Stability of freight rates	3.4	3.5	3.8	4.0
3. Regular, reliable schedule	4.0	4.1	3.4	3.0
4. Availability of space on demand	3.7	4.1	3.8	3.0
5. Availability of suitable containers	3.8	4.0	3.7	3.0
6. Fast service	3.7	4.0	3.4	4.0
7. Low instances of claims	4.2	3.6	3.3	2.0
8. Customer service	4.3	3.7	3.8	4.0
9. Ability to conduct meaningful consultations	4.0	3.3	3.8	5.0
	i. Large users			
1. Reasonable freight rates	3.6	2.6	4.0	4.3
2. Stability of freight rates	3.4	3.5	3.4	3.5
3. Regular, reliable schedule	4.2	4.2	3.1	3.2
4. Availability of space on demand	3.4	4.0	3.6	4.1

Table C.7 (continued)

	Freight forwarders	Conference carriers	Independents	Others
5. Availability of suitable containers	3.3	4.0	3.2	4.0
6. Fast service	3.8	4.0	3.3	3.5
7. Low instances of claims	4.0	3.9	3.8	3.8
8. Customer service	4.6	3.9	3.6	3.6
9. Ability to conduct meaningful consultations	4.4	3.5	3.7	4.2
	j. Small users			
1. Reasonable freight rates	4.3	2.8	4.2	4.0
2. Stability of freight rates	4.1	3.3	3.8	4.0
3. Regular, reliable schedule	4.1	4.0	3.3	3.0
4. Availability of space on demand	4.3	4.2	3.9	3.0
5. Availability of suitable containers	4.1	4.1	4.0	3.0
6. Fast service	4.4	3.9	3.3	4.0
7. Low instances of claims	4.5	4.0	3.5	2.0
8. Customer service	4.4	3.9	3.5	4.0
9. Ability to conduct meaningful consultations	4.1	3.4	3.7	5.0

Appendix D

VIEWS AND COMMENTS OF INTERESTED INDUSTRY
ORGANIZATIONS AND SHIPPING CONFERENCES

Appendix D

VIEWS AND COMMENTS OF INTERESTED INDUSTRY ORGANIZATIONS AND SHIPPING CONFERENCES

A draft of this report was produced for restricted circulation in early October 1982 under the title "Exempting Liner Conferences from Competition Laws: The Perspective of Canadian Shippers." Comments on the report were solicited from conferences and shipper organizations deemed to have a direct interest in any revisions to the Shipping Conferences Exemption Act. Specifically, all member organizations of the Canadian Shippers' Council, and all ocean liner conferences having offices in Canada, were sent copies of the report.

Interested parties were invited to submit their comments pertaining to the draft report in publishable form for inclusion in this final document. All replies pertaining directly and specifically to the draft report are reproduced here in the chronological order in which they were received. Letters from the Chairman of the Interdepartmental Committee on the Shipping Conferences Exemption Act inviting shipper associations and liner conferences to submit their comments are also included.

Transport Canada / Transports Canada

Marine / Marine

October, 1982

Your file / Votre référence

Our file / Notre référence

Letter sent to interested INDUSTRY ASSOCIATIONS by the Chairman of The Inter-Departmental Committee

Re: SHIPPING CONFERENCES EXEMPTION ACT - SHIPPERS' SURVEY

Last spring I wrote to you concerning a survey of users of ocean transportation services being conducted on behalf of the International COmmittee on the Shipping Conferences Exemption Act to request your organization's support for the survey and to publicize it to your members. I also mentioned that the consultant would be contacting selected industry organizations following the survey. Now that the survey has been completed, in the interests of saving time and to provide you with an opportunity to maximize your organization's input into this important review, I am sending you a draft copy of the survey report.

We ask you to review the report and, if you wish, to comment in writing. Please note that we intend to include the views of the various associations as an appendix in the final version of the report to be published and we would appreciate receiving them as soon as possible, preferably no later than November 22, 1983. Please address any comments you may have to me.

If you have any questions concerning the survey, I suggest you contact the consultant who is the author of the study, Eugene Ludwick at (204) 237-6316.

Thank you in advance for your co-operation and assistance. We look forward to receiving the comments of your organization on this survey.

Yours truly,

André Pageot,
Chairman,
Inter-Departmental Committee
on The Shipping Conferences
Exemption Act

Canada

The Canadian Manufacturers' Association

L'Association des manufacturiers canadiens

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November 9, 1982
File 401-103

Mr. A. Pageot
Chairman
Interdepartemental Committee
on the Shipping Conferences Exemption Act
Transport Canada - Marine
Ottawa, Ontario
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Dear Mr. Pageot:

With respect to "Exempting Liner Conferences from Competition Laws - the Perspective of Canadian Shippers", we find it to be a thoughtful document which in general accurately reflects the concerns of shippers on the Shipping Conferences Exemption Act.

Section 4.4, Surcharges, discusses shippers' fear respecting surcharges, but doesn't unequivocally support the CMA contention respecting the unreasonableness and unfairness of surcharges.

We believe, that it is unreasonable that a shipper or shipper-group negotiate rates and charges with a conference and then have the results of that negotiation abrogated by unilateral action of the conference through the assessment of a surcharge. It is our view that the assessment and general surcharges on conference tariffs should be prohibited except in those cases where the carrier can demonstrate with appropriate supportive data that unforeseen circumstances warrant the imposition of a surcharge.

With respect to patronage agreements we believe that opportunities for non-conference operators to enter the shipping market act as a deterrent to abuse by a conference of its market power. Conferences however, make it very difficult for any successful bid by a non-conference carrier to share in ocean trade by the simple expedient of obliging all active shippers to commit all their shipments to the conference. We believe that the conference ability to demand 100 per cent patronage should be made illegal.

...2

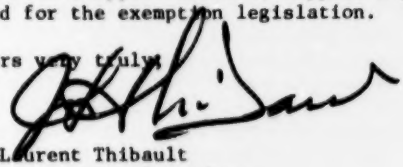
The principal problem with the present form of the Shipping Conferences Exemption Act is that the granting of exemption for competition legislation without appropriate conditions leaves the Canadian Shippers' Council, other shipper groups and individual shippers in a position of looking for authority to compel the conference to provide information or issue contracts which they feel are not in their commercial interest.

This, as we have stated before, raised the specter of government action or regulation as a last resort.

An alternative would be to word the Act in such a way that an anti-combines exemption exists on condition that certain practices are not employed by the conference. If conferences did engage in these practices they could then be called for prosecution under existing anti-combines legislation. We believe, that prohibited practices should include the application of arbitrary surcharges and the drafting of one-sided contracts, aimed at reducing or eliminating competition.

Finally, we wish to re-iterate that the present SCEA has been in effect for only three years and as a consequence it is in many respects untested. We understand that a number of government sponsored studies have been undertaken to explore the Act and its efficacy in supporting Canadian Shipper interest. The result of these studies, which would include this one prepared by E. M. Ludwick and Associates combines with further experience with the Act, may result in CMA wishing to make further public comment prior to the expiry of the present Act in March 1984. Consistent with this view, we feel that limited experience with the Act considered with evolving changes in the international transportation market place and Canadian shipper interest, support a periodic (five year) review of the need for the exemption legislation.

Yours very truly,



J. Laurent Thibault
Executive Vice-President
and Secretary

JLT/mf

c.c. L. A. Deschamps, CMA Ottawa Representative

THE CANADIAN HORTICULTURAL COUNCIL

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November 16, 1982

M. André Pageot
Chairman, Inter-Departmental Committee
on the S.C.E.A.
Transport Canada, Marine
21st Floor, Tower A
Place de Ville
320 Queen Street
Ottawa, Ontario
K1A 0N7

Dear M. Pageot:

Re: The Perspective of Canadian Shippers

As this office has had very little connection with its industry in relation to the survey in question, we do not have an official position. However, we do have some comments we would like to convey.

The fresh fruit and vegetable industry in Canada exists in a free market world controlled by the laws of supply and demand. The exporting of our perishable products are seasonal, being contingent upon production and storage life. This coupled with the fact that when we have an oversupply situation of a certain product, most other competing countries have the same oversupply situation. These factors help, in part, to explain why our export history has been so erratic at best.

However, if we are ever to increase our exports we must address the problems facing our industry. One of the most important aspects of competing in export markets for shippers of perishables is the availability of an efficient means of transportation at reasonable cost. The ever-increasing cost of moving product is becoming a very real threat to the retention of those markets we have shipped to in the past. The lack of the necessary specialized equipment for shipment to overseas markets during the peak shipping season for our products stems directly from the nature of our product and its seasonality. Our lack of commitment to export also poses problems as the member lines of the conferences are ever more reluctant to invest in specialized equipment unless it will be used throughout the year.

Many of the shippers involved in our industry are not big volume exporters. Their ability to deal effectively with the conferences is limited to the extent that they are price takers not price setters. This is also true of the commodities they deal in. When faced with increasing transportation costs they can ill afford, in certain shipping seasons, to raise the price on product as it would effectively exclude them from the export market. What must be taken into account by conferences in relation to this is that by understanding their clients' needs they will be able to better promote a continued export movement. If in a given season the rate increases by 10% and this effectively eliminates a shipper from a market, then the conference also loses as 10% of zero is zero.

To best accomplish the necessary negotiations with the conference necessitates the existance of the Canadian Shippers Council. The problem here is that only a little more than a third of all firms surveyed were fully aware of their mandate. This suggests that there is a definite lack of knowledge of the options already provided for the resolving of shipper and conference problems.

The fact the conferences are allowed to exist also seems to be an issue that 41.5% of the firms surveyed disagree with. Yet, 58.3% of those surveyed favour maintaining some sort of regulation. Whether dealing in a free market or a regulated system certain inequities exist. Inequities and abuses are inherent in any realistic system. We say realistic because those who propose a return to a free market system where competition laws rule will be subjecting themselves to a whole new set of rules. In a situation where there are many (shippers) dealing with few (conferences) the few always seem to enjoy an advantage. It may be more advantageous to continue to regulate and exercise control.

For our industry some of the main concerns do not stem from the fact the conferences exist. The problems stem from the fact that there is little or no coordination whatsoever between different government departments. Departments such as Agriculture Canada and Industry, Trade and Commerce want to see more export sales of our agricultural products and although production capabilities exist and markets have been identified, transportation continues to be a stumbling block. It seems crucial to us that those government departments who are proposing increased exports would seek involvement of other government agencies directly involved with transportation to resolve some of the logistics. When an unregulated sector such as the horticultural industry has to deal with a regulated sector such as the conferences, the regulated sector should be responsive and if they are not, then that area of government which governs the regulation, to a certain degree, should have to ensure that all issues are taken into

account. The criticism of the S.C.E.A. as it currently relates to the real world is a reflection of the concern that it operates in a vacuum and that the conferences provided for by its legislation as well as the Canadian Transport Commission who ultimately oversee its function are not responsive as they do not relate to the ultimate purpose of moving goods in a timely and equitable fashion.

Finally we would like to comment on the view expressed that ocean rates should be lower for freight originating from the Maritimes than from Central Canada. This concept does have merit, yet at the same time, one has to consider that should the equalization of ocean rates be discontinued in order to provide those with a geographical advantage a competitive advantage, then in order to remain constant, one must examine the need to discontinue other types of transportation assistance that are currently in force and which endeavour to limit the amount of competitive advantage due to geographical location.

The answer to the many shippers' concerns discussed in the survey seems to lie in the ability of both shippers and carriers to work towards a better and fuller communication which should provide more understanding of the needs of both.

Yours truly,

Stephen Whitney

SW/rf

Canadian
Pulp and Paper
Association

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l'Association Canadienne
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November 26th, 1982

Mr. A. Pageot
Director - Shipping Policy
Branch
Transport Canada
Tower "A", Place de Ville
21st Floor
Ottawa, Ontario
K1A 0N7

Re: Shipping Conferences Exemption Act -
E.M. Ludwick & Associates Inc.

Dear Mr. Pageot:

As you are aware, the Canadian Pulp and Paper Association is a national association of pulp and paper manufacturers. Its membership consists of 65 companies which account for approximately 98 per cent of all the wood pulp, paper and paperboard produced in Canada.

The pulp and paper industry is Canada's leading net exporter. Its $8.4 billion net contribution to Canada's balance of payments exceeds that of agriculture, mining, fishing and fuels combined.

In 1981, industry shipments amounted to some 20.3 million metric tons, of which 16 million were exported. Just over 6.6 million moved by water to markets overseas and the United States.

The industry is vitally concerned with measures that could affect its shipping costs.

CPPA appreciates the opportunity to comment on the issues surrounding the Shipping Conferences Exemption Act (SCEA). The Association is a strong supporter of the Canadian Shippers' Council (CSC) and has to date allowed the CSC to speak for it. However, we believe that some direct comments may be useful.

Continued .... /2

The Ludwick Survey is the first of a number of studies associated with the review of the SCEA. As it is a survey of shipper opinion, we have only limited comments.

The only question on the accuracy of the study relates to Table 3.1 "Control of Routings and Transportation Arrangements by Canadian Shippers". We are surprised at the high percentage of Canadian control over imports and exports. This is because we believe a large volume of Canada's international trade is controlled by offshore buyers and sellers (wheat and coal being two examples).

We would like to comment in some detail on the "Preferred Alternatives for Regulating Conferences" as reported in Table 6.3. We believe it is fair to say that the 15.8 per cent who support the status quo and the 19.6 per cent who support the CSC are very closely allied. This is because the status quo is the CSC. The 41.5 per cent who support repeal of the SCEA (and open market competition) are only slightly apart from the above two groups. While repeal may be a solution, practically it will not work for many of the small Canadian importers and exporters. The abolition of shipping conferences in Canada will not stop their operation anywhere except in Canada. While larger organizations (like most CPPA members) will not be hurt, the smaller one will be. The absence of assured conference service and rates, or the need to ship to American ports to meet conference vessels will reduce the competitiveness of smaller Canadian international traders. It will also take work and revenue away from Canadian ports. We are completely opposed to the 21.1 per cent who support Government regulations through the Canadian Transport Commission (CTC). We view the role of the CTC as the judicial body not the regulator.

SUMMARY

Considering the resources which the Council has had to work with, CPPA believes the CSC has been reasonably effective since 1979. There are, however, two basic issues that must be resolved prior to renewal of the SCEA in 1984. Firstly, the bargaining power of the CSC must be increased so that the conferences are required to negotiate and justify their actions. Secondly, the financial plight of the CSC must be resolved. The Association believes that the CSC should operate independently of government support, and that a small permanent staff is required. We suggest that the financial situation could be resolved with a small surcharge on exports and imports moving via conference carriers. This charge would be collected by the conferences and remitted to the CSC for their administration.

We trust that these comments will assist the Committee in its deliberations.

Yours very truly,

T.J. Openshaw
Manager
Transportation and
Distribution Section

Atlantic Provinces Transportation Commission

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December 2, 1982

File 198-C

Mr. André Pageot
Chairman, Interdepartmental Committee
on the Shipping Conferences Exemption Act
Transport Canada
Marine
Director Shipping Policy
Tower "A", Place de Ville
Ottawa, Ontario
K1A ON5

Dear Mr. Pageot:

I have reviewed the draft report of the firm E. M. Ludwick & Associates Inc. entitled "Exempting Liner Conferences from Competition Laws: The Perspectives of Canadian Shippers".

It is a report of the results of the survey of shippers conducted by E. M. Ludwick & Associates and, as such, it might be expected that there would be a fairly wide divergence of views among shippers on the topics covered in the survey.

The support for a differential in the ocean rates as between the Maritime ports and the St. Lawrence ports among shippers was gratifying. It is helpful to know that other shippers all across Canada see the present situation as the Maritime firms ". . . subsidizing his Central Canadian competitor or at least . . . being over charged."[1]

I would suspect some of the lack of awareness of the Canadian Shippers' Council is due to the fact that the Council is made up of associations largely and the shippers may see the Council's accomplishments as the accomplishments of their particular association rather than the Council.

Yours very truy,

Craig S. Dickson
General Manager

CSD/cp

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[1]Pages 5 - 12 of report.

Transport Canada / Transports Canada

Marine / Marine

October, 1982

Your file / Votre référence

Our file / Notre référence

Letter sent to SHIPPING CONFERENCES by the Chairman of The Inter-Departmental Committee

Re: SHIPPING CONFERENCES EXEMPTION ACT - SHIPPERS' SURVEY

As you are aware, the Interdepartmental Committee on the Shipping Conferences Exemption Act has been conducting a number of studies on the various aspects of the conference system of ocean transportation. As part of its contribution to the work of the Committee, Consumer and Corporate Affairs Canada commissioned the services of E.M. Ludwick and Associates Inc. to conduct a survey of the opinion of shippers, consignees, and freight forwarders across Canada.

Now that the survey has been completed, I am sending your group a draft copy of the report drawn from the survey for your review and comments. After your members have had an opportunity to consider the survey's findings, I would ask you to submit your comments to me in writing as soon as possible, preferably no later than November 22, 1983. Please note that we intend to publish any views conferences may choose to present as an appendix to the final published version of the report. We have forwarded the survey report to various shipper organizations as well as and intend to publish their comments in the same manner.

If you have any questions about the survey not covered in the report, I suggest you contact the consultant who authored the document, Eugene Ludwick at (204) 237-6316. We thank you in advance for your co-operation and assistance and look forward to receiving the comments of the conference you represent on this survey.

Yours truly,

André Pageot,
Chairman,
Inter-Departmental Committee
on The Shipping Conferences
Exemption Act.

Canada

PROTOS SHIPPING LIMITED

November 16, 1982

Mr. Andre Pageot
Canadian Transport Commission
Inter-Departmental Committee
Shipping Conferences Exemption Act

Dear Sir,

RE: Shipping Conferences Exemption Act
Shipping Survey

We refer to your letter enclosing the draft report on the opinion of shippers concerning the status of the Shipping Conferences Exemption Act.

On behalf of the Far-East Canada Rate Agreement we wish to submit the following as our comments on this subject.

Members of the Far-East Canada Rate Group are supportive of extending the Shipping Conferences Exemption Act.

We are of the opinion that shipping conferences provide an essential cohesive body for the stability and maintenence of both rates and services. We feel that without conferences, rates and services would deteriorate to the detriment of both Shipping Lines and customers.

Without some means of control on competition for rates, prices would drop and force many Lines out of business. The final result would be one Line (with the financial resources to win a rate war) becoming a monopoly. In the ensuing rate war prices and services would be changing almost daily and this would be seriously detrimental to the over all marketing ability of both Shipping Lines and the exporting and importing community.

..... 2

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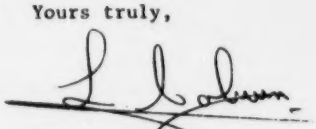
STEAMSHIP AGENTS, BROKERS AND OPERATORS

Cable Address PROTOSHIP

We believe that the original reasons for which the Shipping Conferences Exemption Act was established are still valid and hereby suggest that this Act be maintained.

Yours truly,



Mr. L. Coburn
Acting Secretary, Far-East Canada Rate Agreement

CC: Zim: Montreal: R. Kochav
Hapag: Sausalito: Peter F. Blaich
Hanjin: Oakland: R. Yamashita
O.O.C.L.: Oakland: M. Picker
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OUR FILE: 0880-014

REPLY ATTENTION OF: Jean M. Tardif

January 25, 1983

Secretary
Inter-Departmental Committee
on the Shipping Conferences Exemption Act
Shipping Policy Branch
Transport Canada
Tower "A", Place de Ville
21st Floor
Ottawa, Ontario
K1A 0N7

Attention: Mr. André Pageot
Chairman

RE: Eastern Canada/Australia-New Zealand Conference
Draft report by E. M. Ludwick & Associates Inc. on
"Exempting Liner Conferences from Competitive Laws:
the prospective of Canadian Shippers

The above Conference has reviewed this draft Report and has instructed us to submit the following comments:

1. A more "objective" survey among interested parties would have been very desirable. Indeed, at long last shippers, consignees and freight forwarders would have been consulted on various matters related to shipping conferences and hopefully, meaningful conclusions would have been reached as to how, from a shipper's point of view, conferences should be dealt with. Unfortunately, this is not what took place. The Questionnaire was less than "objective" and in these circumstances little credibility, can be accorded to most of the conclusions which resulted from the survey.

2. Firstly, we suggest that the surveyed shippers would, in many instances, have given entirely different answers if the questions which they were asked had been worded more objectively; secondly, we suggest that certain questions were not asked which in our opinion should have been asked (and thus demonstrate that if these questions had been asked, different conclusions might have been reached); and thirdly, we seriously question the validity of the conclusions which were drawn; indeed some of those conclusions do not necessarily follow from the answers which were given.

3. Shipping conferences have always been and will always be a debatable issue. What we think of them invariably depends on where one sits. In these circumstances the Questionnaire should not have been the responsibility of a single government Department. It should have been a joint affair and the questions should have been prepared jointly with other interested parties such as other government Departments, the Canadian Shippers' Council and even including conferences.

4. In the Canadian trade to Australia and New Zealand there have been in excess of 3,300 contracted shippers of which about 1,500 are currently active, with about 972 operating in Ontario and 521 in Quebec. We are thus somewhat surprised that detailed in-person interviews were limited to 34 in the case of Ontario shippers and to 22 in the case of Quebec shippers. Considering that not all interviewed shippers are involved in the Australia/New Zealand trade, one must have some reservations as to conclusions drawn from such a limited sample.

5. The Questionnaire is silent on the subject of independent operators and one really wonders why. Indeed, why not ask shippers how "unreceptive" to consultation some independent operators are ? Why stop at Liner Conferences ?

6. After careful consideration, we find it difficult to reach the same conclusions as those which were reached in the Report. As an example, it is by no means evident from the answers given that one can conclude that 85% of the shippers are of the view that "the present arrangements exempting liner conferences from the Combines Investigation Act, are not satisfactory". This statement does not appear to find general support in the answers given by the shippers.

7. On the question of how "unreceptive" conferences are, the above Conference agrees wholeheartedly with the conclusions which were reached by the Canada-United Kingdom Freight Conference. Indeed, what does the word "unreceptive" mean ? It was not defined and there is no doubt that 10 different shippers would and probably did, have 10 different points of view. Is it being "unreceptive to consultation" to refuse to carry cargo at a loss ? In the minds of some shippers, it no doubt is. Of the 100 detailed in-person interviews which were conducted a mere 16% of all firms surveyed felt that conferences were "unreceptive" a fact which is obviously not mentioned in the Report. Conferences will, and have always, responded in a positive manner, to responsible and fair requests and suggestions from the shipping public, and thus demonstrated a pattern of conscientious behavior, through their desire to reach fair compromises, acceptable to all parties concerned. However, conferences must by the very nature of their existence, be

unresponsive to those requests and suggestions which would be detrimental to their very existence and contrary to acceptable business practices.

We would like to conclude by simply saying this: many issues in this complex world of ours cannot be resolved by simply answering "yes" or "no" to carefully worded questions. The various shades of grey between "black" and "white" must be looked at carefully and each shade must be accepted for what it is and not for what we would like it to be. It is because of the type of questions asked and of the studies' failure to make distinctions when distinctions were necessary that we are concerned with the answers given by the shippers. For that reason, the Inter-Departmental Committee should probably use this Report only with great care.

Yours very truly,
LAFLEUR, BROWN, DE GRANDPRE

per: Jean M. Tarrif

LAFLEUR, BROWN, DE GRANDPRÉ

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OUR FILE: 0880-001

REPLY ATTENTION OF Jean M. Tardif

January 25, 1983

Secretary
Inter-Departmental Committee
on the Shipping Conferences Exemption Act
Shipping Policy Branch
Transport Canada
Tower "A", Place de Ville
21st Floor
Ottawa, Ontario
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Attention: Mr. André Pageot
Chairman

RE: Canada-United Kingdom Freight Conference,
Canadian Continental Eastbound Freight Conference

Dear Sirs,

The above noted shipping conferences have read with interest the draft Report entitled "Exempting Liner Conferences from Competition Laws: the prospective of Canadian Shippers" which the Interdepartmental Committee recently circulated to interested parties and have instructed us to submit their following comments:

1. The survey conducted by E. M. Ludwick & Associates Inc. and which served as the basis for the draft Report was commissioned by the Department of Consumer and Corporate Affairs. This Department has never been a supporter of conferences and on numerous occasions, it has openly declared that its prime objective in matters of transportation and more particularly in matters of international water transportation has always been and will always be what it perceives to be the welfare and interest of the Canadian shippers namely lower rates, and this regretfully to say, regardless of consequences. Indeed, the Department has never expressed any concern over the viability of trade routes to and from Canada or over the profitability of the carriers' operations.

   In these circumstances it is not surprising that the Questionnaire which was circulated to Canadian shippers and freight forwarders is generally found to contain opinionated and leading questions which

by and large, suggest answers in support of the views of the Department.

In other words, when a shipper is asked the following question: "This Department is of the view that unilateral actions taken by powerful conferences should somehow be curtailed and regulated with a view to provide shippers with lower rates and charges. Do you agree ?" We suggest that the answer to that question is bound to be: "yes". Questions 12, 13(b) and (c), 1e, 21(a) and 23(a) definitely fall into that category and no meaningful conclusion can be reached from any one of the answers submitted.

2. The above Conferences regret that the Questionnaire was not prepared jointly with other interested parties such as Transport Canada, Industry, Trade & Commerce, External Affairs, the Canadian Shippers Council and those Shipping Conferences which have constantly displayed a spirit of consultation and meaningful dialogues with Shippers. Indeed, cooperation should have been sought not only as to the type of questions to be asked but also with respect to the number of shippers and freight forwarders to be surveyed and the areas within Canada where the survey should be conducted.

   For instance, in the Eastbound Canada U.K. trade alone, there are in excess of 2,600 contracted shippers of which close to 925 operate in Ontario and 425 operate in Quebec. The above Conferences are thus somewhat surprised that detailed in-person interviews were limited to 34 in the case of Ontario shippers and to 22 in the case of Quebec shippers. Considering that not all interviewed shippers are involved in the U.K. trade, one can seriously question the validity of any trend of opinion which such a restricted survey may suggest.

3. Similarly, should the Questionnaire not have contained questions along the following lines: "Are you aware of the higher operating costs involved in providing a regular liner conference service compared to those costs incurred by independent operators ?" or "Are you aware that some conference lines operating a service to and from Canada have of late been losing money ?" or "Are you aware that generally speaking in the U.K. and Continental trades the rates assessed by Canadian Conferences are quite substantially lower than those assessed by U.S. Conferences ?" or "Loyalty Contracts contain loopholes which certain shippers use to avoid shipping on conference vessels, thereby penalizing shippers who live up to their contract. Should those loopholes not be closed ?" Questions such as those and others along the same line would for sure have produced a more realistic Questionnaire.

4. The Conferences suggest that the Questionnaire should have included in Section III questions regarding the practices of certain independent operators and in Section IV questions regarding the advisability of including the independent operators in any type of government regulations. Indeed, to exclude independent operators tends to leave the impression that they do not get involved in any of those practices which conference carriers are accused of, which of course is not true. Also, no meaningful conclusion can be reached from the answers given in response to those two questions unless they can be compared to answers which would have been given by shippers to those same questions but pertaining to independent operators.

5. The conclusions reached by whoever drafted the Report bear little relationship, if any, with the views which appear to have been expressed by the shippers who were surveyed. Indeed, the broad spectrum of views given in no way justifies the categorical opinion expressed both in the conclusions and in the executive summary to the effect that "it is clear from the shippers' views that present arrangements exempting liner conferences from the Combines Investigation Act are not satisfactory to nearly 85% of Canadian exporters, importers and freight forwarders". The above conferences suggest that this is the type of conclusion which the Department wanted to reach in the first place and that this conclusion is nothing more than an interpretation which the Department has given to varied views expressed by shippers in reply to questions which, as we stated above, were slanted, opinionated and leading.

6. Similarly, table 4.11 of the Report attaches a lot of importance to the frequency with which some conferences were named by shippers as being unreceptive to consultation. Firstly, no attempt is ever made to define the word "unreceptive", a word which no one can deny being a very subjective term. Secondly, whether one conference is named 30% of the time, 11% of the time or 6% of the time is really meaningless simply because some trades are more active than others. What is very meaningful however is the fact that of the 100 detailed in-person interviews, only 41% reported having had involvement in consultations with conferences and of those 41%, only 38% named particular conferences which they thought were not receptive. In other words, only 16% of all firms surveyed felt that conferences were "unreceptive", whatever the word means and of all firms surveyed who reported having had involvement in consultation with conferences, a surprisingly high 62% feel that conferences are "receptive" to consultation. All of which is a far cry from the false impression which the Report attempts to convey.

In the light of the above circumstances, the Conferences recommend that the Report be used with great care and suggest that the seemingly negative views expressed by such a relatively small group of shippers as the one which was consulted, must not influence a legislation which for many years to come will play an important role in Canada's international trade.

Yours very truly,
LAFLEUR, BROWN, DE GRANDPRE

per: Jean M. Tardif

JMT/gt

Appendix E

INTERDEPARTMENTAL COMMITTEE ON THE SHIPPING CONFERENCES EXEMPTION ACT
LINER CONFERENCE USERS' SURVEY
SHIPPERS' MAIL QUESTIONNAIRE

Government of Canada / Gouvernement du Canada

INTER-DEPARTMENTAL COMMITTEE
ON THE
SHIPPING CONFERENCES EXEMPTION ACT

LINER CONFERENCE USERS' SURVEY

SHIPPERS' MAIL QUESTIONNAIRE

Please note that the questions pertain only to your international freight which moves (or could move) in **deepsea ships. Do not include** any traffic that your firm ships or receives to or from the continental United States nor any bulk or tanker commodity traffic. Also, in discussing your imports, do not include any imported goods that you buy in Canada from subsidiaries, affiliates or other Canadian companies; likewise for exports, do not include any goods that you sell to Canadian wholesalers/distributors which would be exported by them.

I. OVERSEAS TRAFFIC PATTERNS

In this section we are interested in learning what, where and how much you ship or receive internationally.

1. a) What are the **principal** product lines shipped (exported) overseas by your firm?

   b) In the 1981 calendar year, or your firm's fiscal year, (your choice) roughly how many tonnes of these goods did you ship (export) overseas? (A tonne is 1000 kg. or 2204.5 lb.).

   ☐ 0 (i.e. firm only imports)
   ☐ less than 100 tonnes
   ☐ 101-500 "
   ☐ 501-1,000 "
   ☐ 1,001-5,000 "
   ☐ 5,001-10,000 tonnes
   ☐ 10,001-25,000 "
   ☐ 25,001-50,000 "
   ☐ over 50,000 "

   c) Approximately what percentage of your firm's total sales would this represent? ____ %

2. a) What are the **principal** goods imported by your firm from overseas sources?

   b) In the same time period as in question 1b) roughly how many tonnes of these goods did you import from overseas? (Include raw materials, goods purchased for resale, production components, etc. . . but do not include imported goods that you buy in Canada from subsidiairies, affiliates or other Canadian companies).

   ☐ 0 (i.e. firm only exports)
   ☐ less than 100 tonnes
   ☐ 101-500 "
   ☐ 501-1,000 "
   ☐ 1,001-5,000 "
   ☐ 5,001-10,000 tonnes
   ☐ 10,001-25,000 "
   ☐ 25,001-50,000 "
   ☐ over 50,000 "

   c) Approximately what percentage of your firm's total purchases would this represent? ____ %

3. During the same time period as in questions 1 and 2, at which ports did your firm load its overseas exports into vessels and which ports did you use to offload your overseas imports? Please provide an approximate percentage breakdown.

Outbound vessel loading	Names of major ports used by your firm	Inbound vessel offloading
____ %	_____	____ %
____ %	_____	____ %
____ %	_____	____ %
____ %	_____	____ %
____ %	_____	____ %
____ %	various other ports	____ %
100 %	TOTAL	100 %

4. Referring to the same goods you talked about in questions 1 and 2, please give a rough breakdown of the parts of the world to which you **exported** goods overseas and from which you **imported** goods from overseas in 1981.

Overseas exports	Names of major countries or parts of the world you trade with	Overseas imports
____ %	_____	____ %
____ %	_____	____ %
____ %	_____	____ %
____ %	_____	____ %
____ %	_____	____ %
____ %	various other countries	____ %
100 %	TOTAL	100 %

II. TRAFFIC MANAGEMENT PRACTICES AND PREFERENCES

Questions in this section are related to the factors that are most important to your firm in determining what kinds of transportation arrangements you make when shipping or receiving goods.

X. a) On the overseas exports you referred to in the previous section, what percentage of routings and transportation arrangements are controlled by your firm or by the consignee?

____ % Your Firm ____ % Consignee

b) On the overseas imports you referred to in the previous section, what percentage of routings and transportation arrangements are controlled by your firm or by the shipper?

____ % Your Firm ____ % Shipper

5. In arranging for the transportation of your firm's offshore exports and imports, approximately what percentage of the traffic that you control do you assign to:

Exports		Imports
____ %	Freight forwarders/brokers/consolidators	____ %
____ %	Conference liners	____ %
____ %	Independent liners (i.e., outsiders)	____ %
____ %	All other ocean carriers (e.g. tramps, charters, own fleet, etc. . .)	____ %
100 %	TOTAL	100 %

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III. LINER CONFERENCE PRACTICES

Section III seeks your opinions about liner conference practices based on your experiences and dealings with the conferences. Please remember that your responses to these questions will have an important bearing on the Government of Canada's policies and legislation concerning the exemption of the shipping conferences from the Combines Investigation Act.

6. For aporoximately what percentage of your total overseas exports and imports would you say that you have no choice but to use the services of conference lines?

_____% Export traffic _____% Import traffic

7. When the prices of liner conferences' services have gone up in the past, did you do any of the following?

Yes	No	
☐	☐	Not applicable – that is, liner conference services are not used by the firm
☐	☐	Attempt to negotiate a reduction in the increase
☐	☐	Adjust the price of your export goods accordingly
☐	☐	Switch to new sources for imported goods
☐	☐	Switch to other marine shipping organizations
☐	☐	Take no particular action
☐	☐	Other (please specify) _____

8. Is your firm a signatory to a patronage (loyalty) contract with any liner conference?

☐ Yes ☐ No

If no, please proceed to question No. 10.

9. a) Would you say that the patronage (loyalty) contracts you have signed are fair and reasonable?

☐ Yes ☐ No

b) Have you been able to negotiate patronage (loyalty) contracts which require a commitment of less than your total cargo on certain trade routes?

☐ Yes ☐ No

c) On the average, what percent discount have you been able to obtain from the conferences with which you have signed patronage (loyalty) contracts? _____%

10. In general, do you think that, by law, loyalty contracts should be:

☐ Kept negotiable as the current legislation provides
☐ Set at a mandatory 100% of traffic
☐ Prohibited completely
☐ Limited to a certain %, specify: _____

11. a) Do you think bunker, congestion, currency and other surcharges should be: (check one)

☐ Built into the basic freight rate, not provided for separately
☐ Provided for in the same manner as they are now
☐ Allowed only with full cost disclosure and justification
☐ Other (please specify) _____

11. b) Please elaborate

_____

_____

_____

12. Should liner conference transportation rates to or from ports in central Canada be the same or higher than rates for transporting the same goods to or from ports in the maritime provinces?

☐ Same ☐ Higher for central Canada ☐ Can't say

13. a) In general, would you say that your firm's dealings with joint Canada/U.S. conferences have been satisfactory to your needs?

☐ Yes ☐ No ☐ Not applicable ☐ Can't say

If you have no involvement with joint conferences (i.e., not applicable), please proceed to Section IV.

b) When a new shipping line wishes to join a conference, the existing members of the conference hold a vote to determine if the new carrier should be allowed to join. Do you think that members of a joint Canada/U.S. conference who do not serve Canadian ports should be prohibited by law from voting to grant (or deny) membership in a joint Canada/U.S. conference to a new liner wishing to serve a Canadian port?

☐ Yes ☐ No ☐ Not applicable ☐ Can't say

c) Which joint conferences, if any, have been the most difficult to deal with?

_____

_____

_____

IV. OCEAN CARRIER REGULATION AND SHIPPERS' INTERESTS

This final section seeks your views as to how the liner conferences should be regulated to best serve the shippers' interests. Again, your responses to these questions will have a direct bearing on provisions made in legislation concerning liner conferences.

14. Check one of the following statements that most nearly reflects your view concerning the regulation of conferences. "In order to ensure adequate services to shippers . . . ":

☐ Conferences and shippers need the protection of the current Shipping Conferences Exemption Act.

☐ The Shipping Conferences Exemption Act should be repealed and liner conferences should be subject to competition laws as provided for in the Combines Investigation Act.

☐ The activities of the Liner Conferences should be regulated more strictly and directly by the Canadian Transportation Commission with approval required for changes in rates, services, etc. . . .

☐ The bargaining position of the Canadian Shippers Council in relation to the liner conferences should be strengthened.

☐ Other _____

_____

_____

15. Who would you say is best able (or least able) to look after shippers' interests in relation to liner conferences? Please rank the following possibilities giving a "1" to the "best able" body, a "2" to the second best and so on. Please give a rank to all the possibilities.

- ☐ Individual shippers themselves
- ☐ A government regulatory agency such as the CTC
- ☐ Individual lines within conferences
- ☐ The liner conferences themselves
- ☐ The Canadian Shippers' Council
- ☐ Individual freight forwarders
- ☐ Other (specify) _____

16. a) How would you characterize your dealings with liner conferences in general since the 1979 amendments to the shipping Conferences Exemption Act?

☐ Improved ☐ Deteriorated ☐ No Change

If no change, please proceed to question No. 17.

b) If your experience with liner conferences has changed since 1979, do you attribute these changes in any way to the 1979 revisions to the Shipping Conference Exemption Act?

☐ Yes ☐ No

c) Please elaborate

17 a) In the past **three** years, how many times has your firm (for any reason) held or attempted to hold consultations or negotiations with a liner conference?

_____ # of consultations attempted/sought

_____ # of consultations actually held

If none, please proceed to question No. 18.

b) In the past **three** years, how many of the consultation sessions held between your firm and liner conferences have resulted in conclusions which were satisfactory to your firm?

_____ # of satisfactory consultations

c) Which conferences, if any, have you found to be least receptive to your requests for consultation?

18. a) Has your firm ever called upon your industry association to make a collective presentation to the Canadian Shippers Council to resolve a problem that you were having with one of the liner conferences?

☐ Yes ☐ No

If no, please proceed to question No. 19.

b) If yes, what kinds of problems have you addressed to the Canadian Shippers Council through your industry association?

- ☐ general rate increase
- ☐ changing ports of call
- ☐ bunker surcharges
- ☐ currency surcharges
- ☐ congestion (port) surcharges
- ☐ loyalty contract freight matters
- ☐ other (please specify) _____

19. a) Were you aware that the Canadian Shippers Council is empowered by law to conduct consultations with conferences on behalf of shippers in the case of outbound traffic?

☐ Yes ☐ No

b) Do you think the Canadian Shippers Council should also deal explicitly with both inbound and outbound conferences?

☐ Yes ☐ No ☐ Neither ☐ Can't say

20 Were you aware that the Canadian Transport Commission is legally empowered to try to resolve problem that the Canadian Shippers Council have been unable to settle with the conferences?

☐ Yes ☐ No

21. a) Would you say that the existence of the Canadian Shippers Council has enabled shippers to obtain satisfactory co-operation from conferences and allowed you to conduct negotiations more effectively?

- ☐ Definitely
- ☐ Somewhat
- ☐ Can't say
- ☐ Not really
- ☐ Not at all

b) Do you think that the bargaining power of the Canadian Shippers Council in dealing with liner conferences should be strengthened?

☐ Yes ☐ No ☐ Can't say

If no, please proceed to No. 23. a).

22. a) If yes, what steps do you think should be taken to strengthen the bargaining power of the Canadian Shippers Council? (Check one or more.)

- ☐ None, CSC is effective enough.
- ☐ Enact stronger legislation requiring conferences to provide detailed information to the CSC in support of any rate increase
- ☐ Receive adequate funding for staff and regional representation
- ☐ Establish detailed conciliation procedures for the mediation of rate disputes between shippers and conferences by the CSC
- ☐ Other _____

23. a) Do you think that the Government of Canada should take steps to improve the position of shippers in relation to conferences?

☐ Yes ☐ No

b) If yes, what would you suggest?

24. Thank you for taking the time to complete this questionnaire. Please use this space to make any further comments on liner conferences, or on the Shipping Conference Exemption Act.

Please Return Completed Questionnaire to:

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